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NEWS SUMMARY

GENERAL

Israeli Cabinet clash on UN vote

President Carter's abrupt attempt to explain away a U.S. vote in the UN last week, condemning Israel's Jewish settlements in occupied Arab land in the West Bank, came under fire from Israel, the Arab world and from presidential rivals.

Israeli Ministers clashed in Cabinet over whether to order a fresh round of Jewish settlement in Arab Hebron as a mark of defiance against the U.S., but deferred decision.

The official explanation for the U.S. vote is that there was a breakdown in communications between the White House and the State Department, but in Washington observers believe this was a pretext to allow President Carter to back-track.

Yesterday, during the Massachusetts primary, Kennedy campaign spokesmen called the explanation "incredible double-talk." Page 5

Explosion deaths

Government experts sought the cause of a massive explosion which killed two men at Imperial Metal Industries' top-secret rocket fuel plant at Summerfield, Kidderminster.

Van attacks drop

Attacks on security vans in London dropped by 20 per cent last year and the amount of money stolen from them dropped by 42 per cent.

Student protest

City of London Polytechnic students protesting against increased fees for overseas colleagues plan to demonstrate during the Queen's visit to the City tomorrow, when she is to attend a service at St Botolph's Church, Aldgate.

Death chamber

A Nigerian police van turned into a death chamber when 47 of 68 passengers suffocated en route from a Lagos court to prison. They had been arrested during raids on prostitutes.

Tory accusation

The Government was accused by the Right-wing Tory Selsdon Group of failing to fulfil its election mandate by not really cutting back public spending. Page 12

Royal second

Prince Charles rode Long Wharf to second place in the Madonnas Private Sweepstakes at Plumpton. The winner was 141 outsider Classified, ridden by BBC commentator Derek Thompson.

Channel trains

The Channel Tunnel's first trains could be in operation by 1983. British Rail chairman Sir Peter Parker said.

Olympic delay

British Olympic Association said its intention was to send a team to the Moscow Games but that it would defer replying to the invitation until the National Olympic Committee's meeting on March 25.

Recovering

Safety-conscious flooring worker Derek Whalley felt faint while watching a safety film at work at Lee's Dunlop Semtex plant. He stepped out for fresh air, fell, and zapped his head. He is recovering.

Briefly...

President Tito's condition has improved for the first time in 12 days but remains grave. Six City of London policemen were jailed until April 29 at Mansion House on theft charges.

BUSINESS

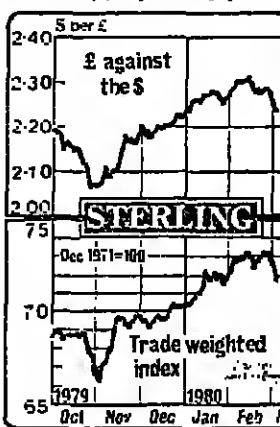
Equities fall 7.4; Gilts weaker

● **EQUITIES** were hit by profit-taking in secondary oils, and the FT 30-share index closed 7.4 down at 456.1.

● **GILTS** sustained falls of up to 1½ in longs and 1½ in shorts on concern over upward pressures on world interest rates. The FT Government Securities index closed 0.81 down at 63.96.

● **DOLLAR** remained firm and was prevented from further appreciation by central bank intervention. It rose to DM 1.7900 (DM 1.7830) and to SwFr 1.7180 (SwFr 1.7140). Its best level since last June. Its index was unchanged at 86.6.

● **STERLING** closed at \$2.2370 in London, a fall of 50 points, after slipping sharply in late



trading to a low of \$2.2220. Its index fell to 71.7 (72.6).

● **GOLD** closed unchanged in London at \$637. In generally quiet trading.

● **WALL STREET** was 3.50 lower at 850.35 before the close.

● **SAUDI ARABIA** is not willing to sell oil to increase the U.S. stockpile, according to Oil Minister Sheikh Yamani. Back Page

● **GAS** pipeline network for the North Sea coming between £1.1bn and £1.5bn. The Government is to report to the House of Commons a British Gas Corporation and Mobil study team. Back Page

● **ONE** major clearing bank is considering introducing a scheme to put interest on current account bank deposits, following criticism of increased bank profits. Back page: Bank profits. Page 16

● **BL Cars** raised its production forecast for the Bountys, the model designed by Honda of Japan, by 20,000 to 80,000 a year. Motor Industry conference. Page 25: Longbridge changes. Page 9

● **LONGHORN** suffered another setback in its £100m legal battle over alleged Rhodesian oil sanctions-busting when a High Court judge ruled that documents produced by Shell and BP for the Bingham inquiry were covered by Crown privilege. Page 11

LABOUR

● **POSSIBILITY** of mediation in the nine-week steel strike was discussed by leaders of all 13 unions recognised by the British Steel Corporation. Back and Page 12

● **YORKSHIRE** miners are supporting a claim to increase minimum basic pay rates by 40 per cent, which has the approval of their area council of the NUM. Page 12

COMPANIES

● **UNILEVER** reports combined fourth-quarter pre-tax profits for 1979 up from £63m to £88.9m, giving a year total of £313.4m (£272.5m). Page 18 and Lex. Back Page

● **GRINDLAYS** Bank, 51 per cent owned by Grindlays Holdings, reports a net profit of £18.78m for 1979 compared with £22.84m previously. Page 18 and Lex. Back page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES	FALLS
Channel Tunnel .. 125 + 2	Exchequer 121pc .. 891 - 1
Cornedbeef .. 55 + 10	Treas. 14pc 1980/1 .. 296 - 1
Stanhope General .. 215 + 13	BAT Inds. 238 - 7
	Barlow Rand .. 443 - 14
	Canlons A .. 50 - 13
	Diploma Ints. 450 - 25
	Electronic Recs. 109 - 6
	Fisons .. 283 - 9
	GEC .. 371 - 6
	Glen .. 246 - 8
	Haslemere Estates .. 300 - 12
	ICI .. 380 - 6
	Intl. Thomson .. 470 - 17
	Ladbroke .. 142 - 8
	Land Securities .. 205 - 10
	Lister .. 63 - 5
MEPC .. 201 - 11	
Pillington .. 226 - 8	
Royal Insurance .. 335 - 7	
Standard Chartered .. 483 - 12	
Stocklake .. 77 - 5	
Turner and Newall .. 125 - 5	
Unilever .. 434 - 8	
Whitbread A .. 130 - 4	
Burmah Oil .. 254 - 13	
Cambridge Petrol .. 285 - 33	
LASMO .. 502 - 23	
Siebens (UK) .. 864 - 54	
Castfield (Klang) .. 500 - 12	
Cons. Gold Fields .. 518 - 14	
Comenz Rinitio of .. 236 - 18	
Australia .. 236 - 18	
East Rand Prop. .. 213 - 1	
Falcon .. 630 - 50	
MTD Mangula .. 115 - 15	
Rhodesian Crp. .. 34 - 6	
Wankle Colliery .. 54 - 6	
Zambia Copper .. 47 - 4	

Gen. Walls asked to preside over integration of armies

Mugabe pledges broad regime

BY BRIDGET BLOOM AND MICHAEL HOLMAN IN SALISBURY

MR. ROBERT MUGABE, the Rhodesian Prime Minister-designate, broadcast a national appeal last night for reconciliation and pledged that he would form a broadly-based Government following his massive victory in the independence election.

After being invited by Lord Soames, the Governor, to form a Government, Mr. Mugabe, the Patriotic Front guerrilla leader who returned from five years' exile only five weeks ago, made a series of announcements during the day.

● **Gen. Peter Walls**, army commander under the Smith and Muzorewa regimes, has been asked to preside over the integration of the country's three armies.

● **Mr. Joshua Nkomo**, the other Patriotic Front leader, and possibly one or two whites are to be invited to join the Government.

● **The business community** was told there would be no early nationalisation.

● **The whites** were reassured that Civil Service pension rights, and property rights, would be respected.

Rhodesia remained calm yesterday after the morning's announcement that Mr. Mugabe had won 57 of the 80 black seats.

A further 20 were won by the party led by Mr. Joshua Nkomo, who with Mr. Mugabe negotiated the Lancaster House agreements in London.

White Rhodesians were stunned as they learned that the two men, whose armies had waged the seven-year guerrilla war, had between them almost totally eclipsed Bishop Abel Muzorewa the outgoing Prime Minister. His United African National Council won only three seats.

Mr. Mugabe's election is the culmination of a major initiative by Britain to end the Rhodesian conflict, which began when Mr. Ian Smith made a unilateral declaration of independence in 1965.

In his broadcast Mr. Mugabe proclaimed a message of reconciliation to the defeated African political parties and to the 230,000-strong white minority, calling on all Rhodesians to "be united in our endeavour to

lead the country to independence."

The most dramatic, and potentially the most stabilising, announcement from Mr. Mugabe was that he had asked Gen. Walls, "working in conjunction with the ZANLA and ZIPRA army commanders," to preside over integration of the three armies.

"The need for peace demands that our forces be integrated as soon as possible so we can

emerge with a single national army," Mr. Mugabe said.

Be added: "We shall also happily continue to enjoy the assistance of British military instructors."

More than 60 British officers and men are remaining in Rhodesia, mostly in a training role, following withdrawal of the 1,300-strong Commonwealth election monitoring force.

Mr. Mugabe called for Rhodesians to "exercise patience" as

his Government strove to bring about "meaningful change," which could not occur overnight.

In a move clearly designed to reassure the powerful white establishment, he pledged that Civil Service pension rights would not be interfered with, and property rights would be respected.

At a press conference earlier in the day he reinforced his appeal for reconciliation with an assurance to the business

community on nationalisation.

"As far as we are concerned, we have stated quite clearly that we are not going to interfere with private property, whether this be farms or the mining sector or the industrial sector."

"We recognise that the economic structure of this country is based on capitalism, and that whatever ideas we have, we must build on that. Modifications can only take place in a gradual way."

Mr. Mugabe tried to set at rest South African fears of the implications of his victory. The Republic was a "geographical and historical reality," he said. "And our reality is that we must coexist with South Africa."

Relations would be conducted on the "basis of a mutual recognition of the differences which exist between us."

Rhodesia under his Government would not interfere in South Africa's internal affairs, and would expect South Africa likewise to respect the new Zimbabwe's sovereignty.

Within an hour of the declaration, Mr. Mugabe said.

Continued on Back Page

Pressure on bank lending rates

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A FURTHER rise in UK short-term interest rates yesterday will almost certainly force the Government to consider further substantial assistance to the banks and money markets if an increase in the cost of overdrafts is to be avoided.

Seven-day interbank rates—a key influence on the interest paid on the clearing banks' funds—last night rose to 15½ per cent, more than a point higher than at the beginning of last week. At this level it is increasingly attractive for top-quality customers to borrow from the clearers and to re-lend in the market at a profit.

If this process, known as round-tripping, develops on a large scale, the clearing banks will be forced to consider raising lending rates from the present 17 per cent. A number of U.S. banks in London have already increased their sterling base rates to 17½ per cent.

The clearers have so far been very reluctant to change their rates at a time when record rises in profits are being announced. But this attitude is being severely tested.

Similarly, the Government has been anxious to avoid any change in rates, partly because officials believe there is insufficient evidence available yet—with the February banking figures due next Tuesday—in suggest there has been a change in the underlying demand for credit.

Sir Geoffrey Howe, the Chancellor, has also urged that it would be wrong for interest rates to take the whole burden of monetary policy only three weeks before the Budget.

The authorities who shortly have to decide whether to allow market pressures to work through and push up the clearers' interest rates or to continue to intervene to hold down rates in face of what, it is hoped, are temporary pressures. A further complication is the rise in overseas interest rates.

The Bank of England has so far provided help in the form of £1.5bn of temporarily released special deposits and one-month loans to the clearing banks, as well as considerable day-to-day help. Assistance yesterday was on a "very large scale."

If it is now possible that these facilities may have to be both rolled over and enlarged. The key date is next Tuesday, a week before the March banking make-up day.

The intensity and duration of the pressure have been a surprise and reflect larger than expected inflows into the Exchequer, notably of income tax and value-added tax, as well as a bunching of oil-related payments and continuing calls on partly-paid gilt-edged stocks.

These pressures may last for most of this month.

At the same time the banks have faced a continuing big demand for borrowings from a tightly squeezed industry.

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Parliament Page 12

U.S. prime climbs to 17¼%

BY DAVID LASCELLES IN NEW YORK

U.S. INTEREST rates continued their upward spiral yesterday as banks raised their prime rates by half a percentage point in a record 17½ per cent.

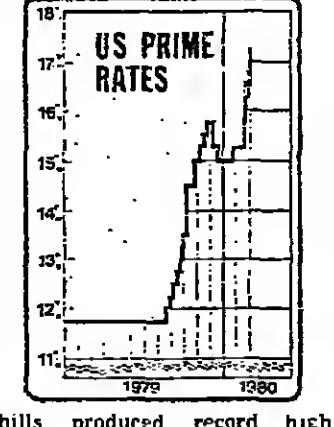
The move sent both the bond and stock markets reeling, though it helped the dollar. Economists believe that the soaring cost of funds will push the prime over 18 per cent before long.

Yesterday's increase was the second big jump in the prime in only three business days. This time last week the key rate was 16½ per cent.

The increase was triggered shortly after 10 am local time by Chase Manhattan Bank. By the end of the morning most major banks in New York, Chicago and on the West Coast had followed suit.

The cost of short-term money has risen sharply in the U.S. in the last few days.

On Monday night the U.S. Government's sales of Treasury



hills produced record high yields, with three-month bills selling for 13.136 and six-month bills for 14.782 per cent.

In trading yesterday, the yields on these bills had edged up 25 more basis points or so. David Marsh writes: The prime rate increases helped the dollar make further gains

yesterday. The Japanese, West German and Swiss central banks gave heavy support to their currencies, estimated for the second day running at a total of over \$1bn.

The yen was the only major currency to rise against the dollar, following Bank of Japan support estimated at about \$800m in Tokyo. The dollar closed at ¥246.30 in London against ¥247.50 overnight.

It closed at DM1.7800 (1.7830) and SwFr1.7180 (1.7140) despite continued large dollar sales by the Bundesbank. Sterling finished above the worst at \$2.2370 (2.2420).

Money markets, Page 25

\$ in New York	
	Previous
Spot .. \$2,230.2500	\$2,250.2500
1 mth .. 0.58-0.55 ds	0.58-0.51 ds
3 mths .. 1.14-1.09 ds	1.14-1.09 ds
12 mths .. 2.25-2.75 ds	2.66-2.55 ds

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EUROPEAN NEWS

Spanish jobless up 23% to highest rate in Europe

BY ROBERT GRAHAM IN MADRID

THE NUMBER of people out of work in Spain increased 23 per cent to 1.33m during 1979, according to figures just released by the official statistics institute. The percentage of unemployed has now risen above 10 per cent of the active population, giving Spain the highest unemployment rate in Europe.

The unemployment level, higher than originally anticipated by the Government when it presented its economic programme last August, shows no sign of levelling off.

With the recession likely to continue, trade unions are convinced that official unemployment figures will reach 1.5m before the end of the year. At present, the unions believe that the statistics understate the real level of unemployment.

During the year, the number of unemployed rose from 1.08m to 1.33m but the total active population, at 13.15m, changed little. The greatest area of unemployment continues to be among those seeking jobs for the first time, who represent 40 per cent of total jobless and have increased by 115,000 during the past 12 months.

The only sector where unemployment has been stationary is agriculture. Indeed, there has been a small

decline. All the other sectors, especially industry and construction, have noted sharp increases. In the last quarter industrial unemployment rose by 13 per cent.

For the number of jobless to be held steady, it is reckoned that the economy must achieve a growth rate of 3 per cent. Unemployment can only decline with growth rates of 4 per cent and more, the institute said. Last year the economy grew at 1.5 per cent.

The Government has talked of achieving a growth rate this year of between one and two points above the OECD average. Since the OECD is anticipating zero growth, Spain is hoping for a maximum of 2 per cent.

However, this is regarded as over optimistic by many bankers and businessmen, who believe growth this year could be as low as 0.5 per cent. Against this background, the employment picture is bleak.

Unemployment is occurring despite the protective legislation that makes it difficult to shed labour. Employers are seeking private deals with individuals or are working on a negotiated basis with unions, two thirds of labour in industry and the services is being shed in this way.

The remaining third is being

laid off by companies who are either in temporary receivership or have obtained permission from labour courts to sack workers. A significant feature of Spanish unemployment is the low proportion of jobless receiving unemployment benefit. Last year this increased from 45 per cent and now stands at just below 60 per cent, with expenditure increasing from \$26n to \$3.1bn. Receipt of benefit is low mainly because it continues to be difficult for new job seekers to conform to the regulations.

Unemployment benefit is paid by the state for 18 months. However, in the case of agricultural workers they have access to community employment, especially in Andalusia, indefinitely.

The plight of the unemployed is heightened because many become jobless after not receiving pay for several months. State and private companies can default on wage payments, before they declare bankruptcy or go into temporary receivership without effective sanctions.

At least one multinational, Dunlop, owes its workers back wages. Dunlop's plant making rubber matting at Bilbao is closed down and its 650 workforce owed six weeks wages.

Pace of price rises quickens in Turkey

By Metin Munir in Ankara

TURKISH wholesale prices increased by an unprecedented 9.2 per cent in January. The country has been suffering from severe inflation since 1977.

Statistics published by the Ministry of Trade showed that in the 12-month period which ended in January, wholesale prices registered an increase of nearly 90 per cent. In the previous 12-month period the rate of increase had been about 50 per cent.

The rate of increase in February is likely to be higher, as the index will register the full impact of the price rises announced in late January.

Mr. Suleyman Demirel, the Prime Minister, increased the prices of basic goods and services to mop up the equivalent of \$5m from the economy. Many prices, including those of petrol, cement and iron and steel, were doubled, making virtually every service and commodity dearer.

January's record increase and the anticipation of an even higher one in February, has led some economists to conclude that inflation may, for the first time go beyond 100 per cent in 1980, if Mr. Demirel's measures do not succeed.

Irish hopeful on energy use

By Stewart Dalby in Dublin

IRELAND'S energy consumption may rise more slowly during the next 20 years than had been previously forecast, according to a new study by the Independent Economic and Social Research Institute. The most recent official forecast from the Irish Department of Energy and Commerce said that energy consumption in Ireland would rise from 7m tonnes oil equivalent (MTOE) in 1979 to 18 MTOE in 1990.

The institute study suggests that Government estimates published in 1977 were over pessimistic. Assuming average growth rates of 4 per cent a year, which could be very optimistic, energy use by 1990 could be in the region of 15 MTOE.

and development of a number of water courses has been banned, either permanently or temporarily on grounds of conservation. These are listed in a separate White Paper.

Nevertheless, new hydro-electrical schemes will be the main source of additional power supplies over the next decade. Modernisation of some older plants and improvements in the grid, to prevent power losses in transmission, will boost total output.

A few coal and oil-fired plants may be built in the second half of the 1980s, to supplement hydro-electrical plants in dry years or during periods of peak demand.

On the other hand, alternative energy sources such as sun, wind and wave power are not expected to make any significant contribution to supply for at least a decade, and nuclear power is dismissed as probably not necessary for Norway "on this side of the year 2000."

Energy saving will be "an increasingly important element" on Norwegian energy policy, the White Paper says. Research into energy saving will get Government funds, and revised building regulations will encourage better insulation.

Subsidies and taxes will be used to promote increased use of less energy-intensive forms of transport.

Dearer Norway energy foreseen

BY FAY GJESTER IN OSLO

THE NORWEGIAN Government has held out the prospect of higher electricity prices in an official White Paper on energy policy.

The move will affect both general consumers and the country's important power intensive industry, and aims at encouraging more economic use of a major national resource—hydro-electric power.

The pace of future hydro-power development will be slower than previously planned,

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates \$25.00 per annum. Second class postage paid at New York, N.Y., and at additional mailing centres.

BUDAPEST QUEUES TO BUY JEWELLERY

Hungary seized by gold fever

BY PAUL LENDVAI IN BUDAPEST

EVERY MORNING long queues wait patiently in front of a small shop in the centre of Budapest. They are not shopping for meat or bread, like their fellows in Bucharest or Moscow. The Hungarians are queuing for jewellery.

Gold fever has gripped Hungary, and the small shop opened recently by the Mint cannot satisfy the waves of customers who have been invading it and the state watch and jewel trading companies since Christmas.

The turnover in gold jewellery last year rose by 15 per cent from 1978, to Forints 3bn (about \$65m at the tourist rate of exchange), compared with an average 5 per cent growth in previous years.

The price of 14-carat gold jewellery was raised by 10 per cent in January last year, by 30 per cent last November, and by 10 per cent on February 21. Nevertheless, the shelves of Budapest's largest jewellers have been emptied of anything remotely resembling gold, and a stream of shoppers passes through, inquiring about the next deliveries. The last gold and diamond bracelets were grabbed weeks ago, despite prices of between Forints 250,000 and 400,000, equivalent to five to eight years' pay.

But it is not just gold which is in demand. Antique shop shelves and the main retail outlet for the famous Herend porcelain are also empty. Anything worth buying disappears overnight. Nepszabadsag, the party newspaper, last Sunday published a satirical piece about a large marble figure of Emperor Franz Joseph in an antique shop window. "Despite a price tag of Forints 20,000 (equalling over five months' average pay), the bent figure of the Emperor disappeared next

day," it said.

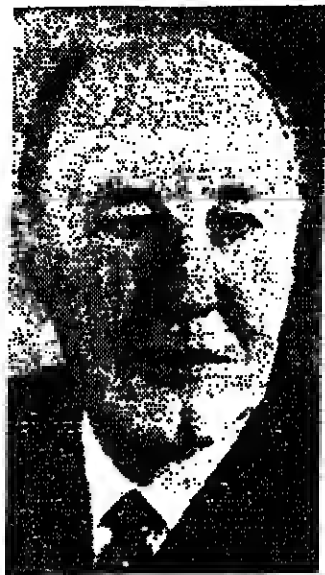
As a matter of fact, I found it inside the shop, but no doubts it will soon be sold.

What are the reasons for the gold rush? Villagazdsag, the economic weekly, concludes in a remarkably candid piece that world-wide gold speculation, rising consumer prices, the low interest on savings deposits and the shortage of goods play the key role. Hungarians last year were hit by massive price increases, which reached 9 per cent even according to official figures, which are viewed with scepticism. The official inflation rate this year is put at 8.7 per cent. Marginal wage increases offset only by a fraction in the rising cost of living.

Mr. Janos Kadar, the Hungarian party leader, is also conducting a political experiment of gradually matching domestic prices with those prevailing on world markets. Domestic prices are thus bound to follow the upward trend throughout the rest of the year. But rising prices are only part of the explanation.

The simple truth is that middle-aged and elderly Hungarians, like most other East Europeans, are deeply concerned about international tension. Even Mr. Janos Berez, the department chief of the Communist Party's Central Committee, recently admitted in a radio programme that "attacks on détente" had surprised and frightened people all over the world, implying that Hungarians shared their fears.

A leading journalist remarked: "The era of steadily rising living standards and growing scope for private travel to the West has ended. At any rate for years to come."



Mr. Janos Kadar... gradual experiment

A top economist consoles himself and his associates with references to such past crises as the Berlin blockade and the Cuba missile crisis, which did not after all spark a global war. Yet he also believes there will be a "frost" between East and West for at least one and a-half years.

It is not only the spate of bitter political jokes which reflects the repercussions of the Soviet invasion of Afghanistan. The belief that the veterans in the Kremlin are careful and cautious operators, who above all seek to increase the still deplorably low standards of living in their vast empire, has been shattered. No East European leader was apparently informed, let alone consulted, by the Russians before the fateful intervention in Kabul. But President Jimmy Carter is not a

hero either. "He has behaved like a paper tiger for so long and no suddenly overreacts. We small countries are pawns in a simultaneous power struggle taking place both in Moscow and Washington," remarked a sociologist with permanent access to the Western Press.

What are the effects on internal affairs? "The Soviets may have lost face in the world—but they certainly have not lost any of their total power over the satellites," one observer noted in Budapest. As if to underline how pertinent this observation was, the Hungarian press next day published a brief item which startled the politically interested public: "Soviet President and Secretary General Leonid Brezhnev presented the award of the October Revolution in the Kremlin to Army Gen. Lajos Cziges, the Hungarian Minister of Defence, for his contributions to the development of friendly relations between the Soviet and the Hungarian armed forces, to the strengthening of the military organisation of the Warsaw Treaty."

It was indeed most unusual that an award originally announced by the Supreme Soviet exactly five months ago should be presented by Mr. Brezhnev himself to a Hungarian general who does not even belong to the Politburo. Such ceremonies normally take place at ministerial level. Millions of Hungarians saw on television how Mr. Brezhnev, swaying slightly and uncertain in his movements, even embraced and kissed the burly minister. Some of them regarded the ceremony as a pointed reminder that ultimate power, even in this happy-go-lucky country, rests with the Soviet Army.

New Swiss powers to requisition supplies

BY BRIJ KHANDARIA IN GENEVA

THE SWISS Government has acquired new powers to requisition stocks of food, fuel and other vital commodities in times of crisis other than war.

An overwhelming 86 per cent of voters at a referendum have approved a new Government regulation widening the scope of an article of the Swiss constitution to extend powers to requisition stocks in wartime to encompass other crises.

The government is expected to build up food stocks to last at least one year when market conditions are advantageous.

The new powers are seen as part of the Government's civil defence armoury. Heightening Cold War tensions have focused attention again on Switzerland's civil defence needs, and the Government has also pledged to speed a programme to build enough nuclear shelters to house the country's entire 6m population.

Switzerland imports all its oil and most of its food.

In another referendum vote, the Swiss have rejected a move to break financial links between the state and church. Under the system, which remains unchanged, a part of direct tax receipts is earmarked by the federal and cantonal governments to subsidise the activities of recognised churches.

Basle is the only canton officially to recognise the Jewish religion. Wicks adds from Zurich: Only 2,331 working days were lost through strikes in Switzerland last year, the lowest figure since 1975. Only eight industrial disputes led to strike action. Of these, one concerned a pay dispute. Five others had to do with redundancy measures or dismissals, and the remaining two with the signing of wage-and-conditions agreements.

Oil related companies setting up in Scotland should head for the Middle East.

Of Scotland, of course!

Because there you'll find the Tayside Region, home of quite a number of perceptive oil support companies as well as a broad spectrum of business from light engineering to pharmaceuticals, from small entrepreneurial businesses to giants, like General Accident in Perth, Low and Bonar in Dundee and Halliburton in Angus.

Most companies have come to Tayside for three reasons. Communications, environment and skilled labour.

First, the region straddles Scotland's busiest lines of communication.

From here you can move to all points of the compass, by rail, by sea, and by the newly built motorway south.

Second, not only is Tayside easy to get to, there are few places in Britain with such an equable environment in which to live and work.

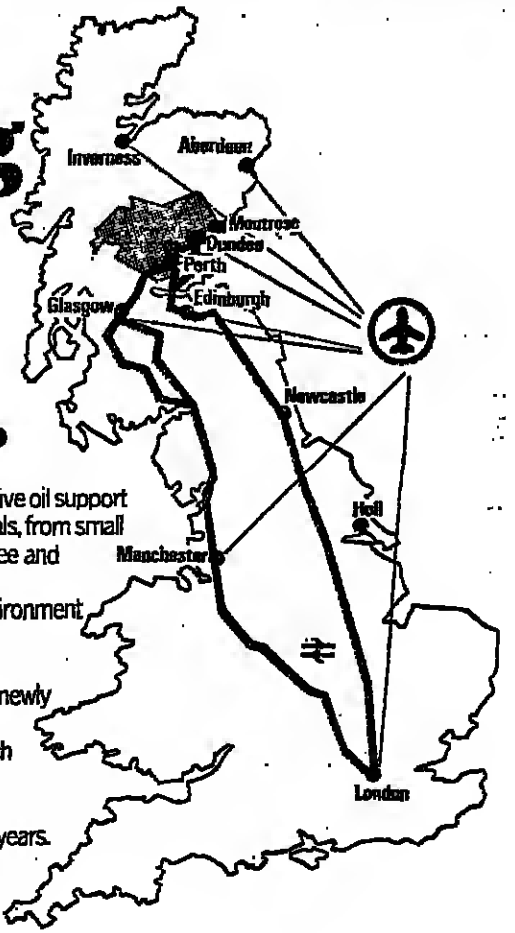
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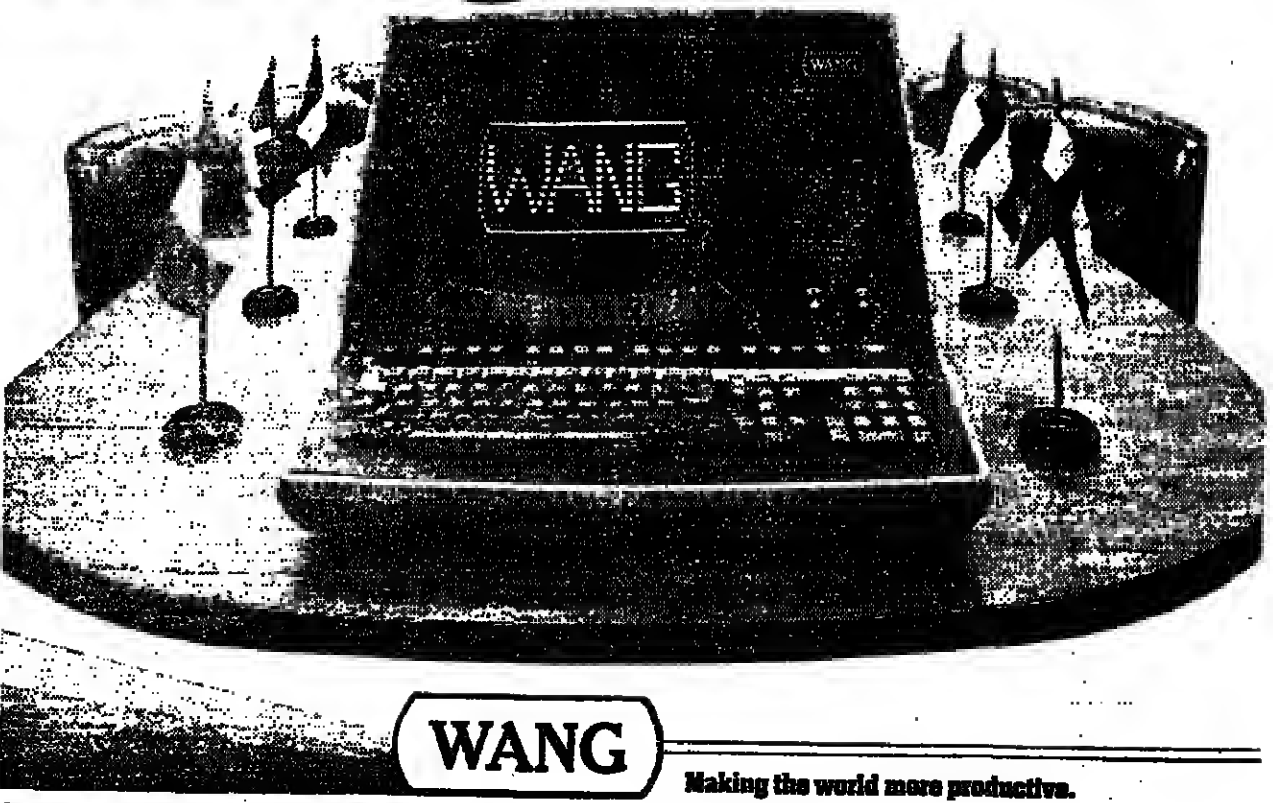
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EUROPEAN NEWS

Italian police hold 38 bankers in national swoop

BY PAUL BETTS IN ROME

ITALIAN POLICE yesterday arrested 38 of the country's leading bankers in a series of dawn swoops throughout the country.

The arrests, connected with the judicial inquiries into alleged loan irregularities by Italcasse, Italy's central savings institute, coincided with the likely imminent resignation of a Christian Democrat Cabinet Minister who has admitted accepting money from private sources to finance his political activities.

Sig. Franco Evangelisti, the Merchant Navy Minister, is expected to resign before Sig. Francesco Cossiga, the Prime Minister, has to face questions in Parliament on Friday on the affair.

The Italcasse scandal and the Evangelisti affair are closely connected. The Minister admitted he had accepted money from the Caltagirone brothers, a family of Rome builders who had been granted substantial

and allegedly irregular credits from the central savings institute.

The latest dramatic developments follow the decision yesterday of Sig. Antonio Alibrandi, the magistrate heading the Italcasse inquiries, to issue 49 arrest warrants against former Italcasse board members and a number of leading industrialists and property magnates. After issuing the 49 arrest warrants, police immediately arrested 38 leading members of the Italian financial establishment. These include the chairman and top executives of a number of Italy's leading savings banks.

Police are now seeking the other "people charged by the magistrate in connection with the Italcasse affair. Among these is Sig. Nino Rovelli, the former chairman of the SIR chemical group.

Arrest warrants have also been issued against the three Caltagirone brothers, who man-

aged to leave Italy in time before the warrants were executed.

The magistrate has charged the 49 bankers and industrialists, who all had dealings with Italcasse or sat on the central savings institute board, between 1970 and 1977, with alleged fraud. The charges specifically relate to allegations that Italcasse, which groups together all the country's savings banks, advanced irregular credits to some privileged clients.

In turn, the former management of Italcasse has been accused of irregular operations allegedly to help finance political parties, especially the ruling Christian Democrats.

The Italcasse and Evangelisti affairs are now widely regarded to be the tip of an Italian Watergate with potentially even more explosive repercussions than the collapse of the financial empire of Sig. Michele Sindona, the Sicilian financier currently on trial in New York.

Carrington to visit Romania

By David Tonge

LORD CARRINGTON, the British Foreign Secretary, is to visit Romania from March 12-14 amid Western hopes that it may be possible to build on the differences between Moscow and Bucharest over the Soviet intervention in Afghanistan.

Romania abstained from voting on the United Nations resolution condemning Soviet actions on Afghanistan but it said at the time that it supported the need for the withdrawal of foreign forces from the country.

It also expressed its "unshaken respect for the principles of independence and national sovereignty, non-interference in internal affairs and right of every country to be master of its own destiny."

At that time there were reports, denied by Moscow, that the Soviet Union wished to station a "limited contingent" of troops in Romania. Since then Mr. Andrei Gromyko, the Soviet Foreign Minister, has visited Bucharest but the British view is that his visit did not alter Romanian policy, which, it is believed, consists of firmly criticising the Soviet invasion but not making a campaign about it.

Talks between the British and Irish Foreign Ministers yesterday concentrated on resolving British complaints over its contribution to the EEC budget rather than Irish plans for discussing an eventual unification of Ireland.

Mr. Brian Lenihan, the Irish Foreign Minister, raised the subject of unification during talks in London but reportedly agreed with Lord Carrington that this should be discussed with Mr. Humphrey Atkins, the Northern Ireland Secretary.

WEST'S RESPONSE TO AFGHANISTAN INVASION

Schmidt intends to reassure Carter

BY ROGER BOYES IN BONN

CHANCELLOR Helmut Schmidt of West Germany holds talks with President Jimmy Carter in the U.S. today with the aim both of easing the recent tension between Bonn and Washington and of pressing forward with a concerted Western approach to the Russian invasion of Afghanistan.

By all accounts, it is a delicate mission. A senior Chancellery aide has described it as "the most important and possibly most sensitive" of all Herr Schmidt's official visits to Washington.

Chancellor Schmidt would not doubt dissociate himself from the hyperbole and he has repeatedly stressed that here is at root nothing amiss with U.S.-West German relations.

Just the same the past week

has been a period of emphatic reassurance to the White House. The Chancellor has announced an (albeit long-planned) increase in defence spending, expressed a willingness to consider economic sanctions against the Soviet Union, and re-stated Bonn's determined solidarity with the U.S.

The Chancellor has complained of not being informed in advance of the U.S. ultimatum on the Olympic games and of Washington's role in the recent abortive attempt to stage a conference of the Western foreign ministers.

The problem is that when these irritations are cleared out of the way, the two leaders may still be left with substantially divergent—though not necessarily opposing—views of the

Afghanistan crisis. The basic analysis of the invasion still seems to be at issue between the U.S. and Germany: should the West, for example, be content with a promise to withdraw from Afghanistan before beginning talks with Moscow and what role should be played by the European proposals for a neutral Afghanistan?

Above all, there is still the outstanding question of when should the West start shifting its focus away from punishing the Russians to a position that would allow talks on a phased withdrawal to take place.

The German view on these questions is that Moscow should be allowed to withdraw from Afghanistan without losing face. Indeed, it is thought that the

Russians would not withdraw if it looks as if they are bending to Western pressure or the resistance of the tribesmen.

Herr Schmidt's task will be to explain Bonn's limited room for manoeuvre in a programme of solidarity. He has to balance specifically national interests—which presuppose the maintenance of an East-West dialogue—with support for the U.S. and at the same time retain the strong bond with France.

Although several West European leaders have consulted with Herr Schmidt before his present trip, his task will be less than of acting as a European spokesman and more than of a special pleader: Germany, he is expected to argue, is in a unique difficult position but still has a key role to play.

Rise in discount rate feared

BY RUPERT CORNWELL IN ROME

A FRESH surge in inflation has reinforced fears that the Italian monetary authorities may be forced into further restrictive action, including a fresh increase in the Bank of Italy's discount rate, now standing at 15 per cent.

Figures released yesterday by ISTAT, the national statistics institute, show that prices rose by 1.7 per cent in February.

Although the increase was barely half the 3.3 per cent jump registered in January, it pushes the year-on-year inflation rate up to 21.7 per cent, against 21.4 per cent a month before.

The latest data also confirms that prices are rising at an underlying rate of about 2 per cent monthly. Italy's inflation rate is now the highest in the EEC, and around four times greater than that of West

Germany, her major trading partner.

The expectation is that the authorities will wait to see what additional credit measures are decided by the U.S. But assuming that Washington tightens its monetary policy further, a subsequent increase in the Italian discount rate, and the commercial banks' prime lending rate, now at 19.5 per cent, is considered likely.

French reject gas price rise

BY GILES MERRITT IN PARIS

FRANCE IS insisting that Algeria open immediate negotiations to review the doubling of the liquefied natural gas (LNG) price just announced by Sonatrach, the Algerian State oil and gas company.

Gaz de France, the State-owned utility, emphasised in Paris yesterday that it cannot accept Sonatrach's decision to raise the LNG contract price from around \$3 to \$6 per million British thermal units (BTU), and to back-date the increase to January 1.

The Algerian decision stems from concern that the gas,

which is increasingly being used by European customers as an energy substitute for oil, should be priced on a par with crude. Gas de France expects that the U.S., which is also a major user of Algerian LNG, will be demanding similar price negotiations with Sonatrach.

Among other buyers of Algerian gas that have already been warned of stiff price rises for 1980 are the Dutch Nederlandse Gasunie and Ruhrgas-Salzgeber of West Germany.

Sonatrach has yet to reply to the Gaz de France demand, but

it appears unlikely that in the context of Franco-Algerian relations it can very well refuse to negotiate with one of its largest European customers.

On the other hand, France's room for manoeuvre is constrained by the fact that it is scheduled to become increasingly reliant on Sonatrach for its LNG supplies over the coming five years.

Last year Algeria supplied 12.4 per cent of all French gas requirements, and by 1985 that share of expanding needs is due to double to 25 per cent.

Car output to be cut as sales fall

BY TERRY DODSWORTH IN PARIS

FORECASTS THAT the French car market will go into reverse this year were reinforced in January when sales dropped for the second month in succession. Although the fall in registrations—only 1.6 per cent—was not as much as expected, the Manufacturers' Association stressed that the figures confirmed a distinct slowdown in the market.

In December the French industry had already suffered a severe setback, with sales dropping by 8.5 per cent compared with the same month in the previous year.

While both production and exports continued strongly in January, French manufacturers are now taking steps to bring output down in line with the lower level of expected demand.

Talbot, the former Chrysler-Simca concern, has trimmed some six hours off the average working weeks for the first four months of this year. Citroën closed its plants for two days last month, and Peugeot extended its holiday period over Christmas.

The main stimulus to production is coming from export mar-

kets, where sales rose in January by 5.2 per cent to 152,000 units. This improvement overseas helped maintain the momentum of output, which rose by 4.7 per cent to 310,000 units, while domestic registrations dropped from 157,000 cars to 135,000.

On the commercial vehicle side, sales were marked last month by the clear division between the buoyant market for vans of below 6 tonnes and a further decline in sales of heavier trucks.

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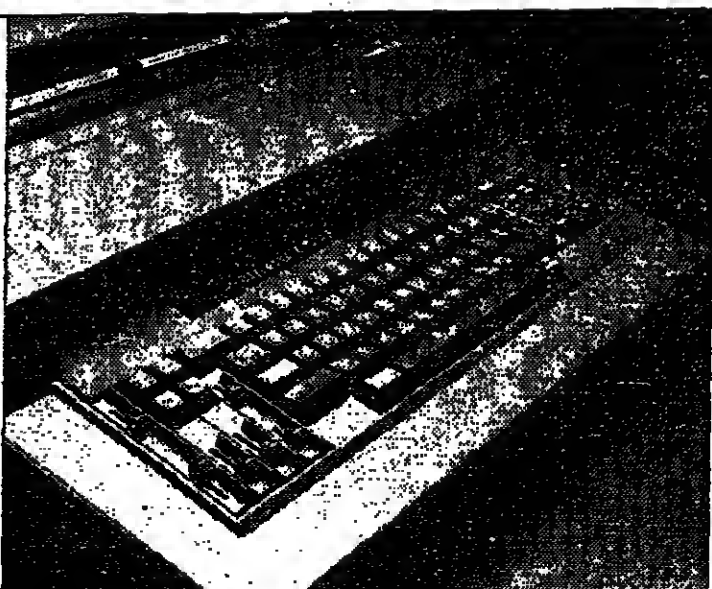
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OVERSEAS NEWS

Rhodesia waits nervously for Mugabe to show his hand

BY BRIDGET BLOOM, AFRICA EDITOR, IN SALISBURY

TEN MINUTES after Mr. Robert Mugabe's massive electoral victory was announced officially on radio and television yesterday, I overheard a conversation between two middle-aged white Rhodesian women. They were clearly shocked by the result, one declaring that she had to talk to the other for comfort. They spoke of how worried they were, "since you know what they're going to be like when they've got power behind them."

But then as one spoke of her 18-year-old son who was doing his national service, and the other of her husband in the police reserve, they became more reflective. "I don't care what happens as long as it brings peace. I'm so sick of this war." The other replied: "Yes

and I suppose it could have been even worse if Mugabe hadn't won. He might be the only one who can bring peace."

Most Rhodesian whites have been stunned by the way Mugabe and Joshua Nkomo have between them swept to victory, just as the vast majority of blacks who voted for them seem delighted. In the townships around Salisbury groups of jubilant ZANU-PF supporters paraded through the streets, good-humouredly shouting party slogans and giving clenched fist salutes.

But for whites and blacks alike, there is uncertainty as to what sort of rule a likely Patriotic Front Government will bring. No one can tell, at this very early stage, what will happen, but the problems are

apparent enough. The first is undoubtedly the need to inspire confidence in all races that a Patriotic Front Government will not, as Mr. Mugabe put it in his first post-election Press conference yesterday, "use the majority to victimise the minority"—whether that minority be racial, tribal or political. Within the black community, there will be need for political reconciliation, though the major problem will be to fulfil the rising expectations of the 7m Zimbabweans.

Black voters were promised everything from free education and health services to more jobs, better pay and more land. The promises are likely to prove just as difficult to fulfill as elsewhere in Africa, although the new Government will inherit an efficient Civil Service and a sophisticated economy as rich as any in the continent.

The rub is that the Civil Service and the economy is white-run and for most whites Mr. Mugabe is a bogeyman, a dangerous revolutionary if not a Communist. One of Mr. Mugabe's senior colleagues told me some months ago that he did not believe ZANU(PF) had a single real Marxist in it, but the image may be difficult to eradicate for the party certainly does espouse what elsewhere is called African socialism.

There are thousands of trained and qualified black Rhodesians, very few of them in the Civil Service and only marginally more in business. Rapid Africanisation will be seen as a political necessity by blacks and as a threat by whites.

Even more delicate will be the new government's attitude towards the judiciary—there is not a single black judge and only a handful of magistrates—and the police, which while Africanised at the base, is still white-controlled.

In a category of its own comes the military problem. Mr. Mugabe comes to power on the back of a guerrilla movement. His relationship to his military men, let alone their relationship with Mr. Nkomo's Zipsa forces, is one of the murkier areas. As for the white-led army, many whites, whether in hope or fear or ignorance, profess to believe, in the run up to the election, that the army would stage a coup rather than see Mugabe win.

In fact, Lieutenant-General Peter Walls, the Rhodesian security forces chief, who is rapidly eclipsing Mr. Ian Smith as the most important white man in Rhodesia, has played a key role in bringing the three rival armies together.

Geo. Walls, and the commanders of ZANLA and Zipsa, have now replaced all but a handful of the Commonwealth monitoring forces in the guerrilla assembly places with joint Rhodesian army and police detachments, while two battalions, one each of Zipsa and ZANLA, are undergoing training for integration into a new Zimbabwe army.

Mr. Mugabe wants to disband certain units, like the hated Selous Scouts, and he will have to decide what to do with the 20,000 auxiliaries said to be loyal to Bishop Abel Muzorewa. Not least, he will have to reassure the 70 per cent of the Rhodesian army which is black that vengeance is not to be their lot.

Some of his colleagues say that Mr. Mugabe recognises that his party is inexperienced in Government, and that it will need many months to inform itself of the complexities involved in implementing its policies. Others are worried that the new Prime Minister may be influenced by those in his party who want to jump all fences at once and damn the consequences. But the political and economic constraints are such that he may well be forced to choose caution.

The question which must now be answered is whether Mr. Mugabe's apparent metamorphosis is simply a tactic to avert the danger of a white-led coup, or whether it represents the emergence of a more pragmatic style.

Nothing in Mr. Mugabe's own history within the nationalist movement shows that his present stand is totally sincere. He has done a great deal to fuse the many divergent interests within the chaotic ZANU-PF party, and perhaps his greatest achievement has been to unite the intellectual force of the leadership with the grassroots support.

His intellectual achievements in gaining seven different degrees are all the more impressive considering his humble start as the son of a labourer. Born in 1924 at the Kutama Mission in the Zimba Tribal Trust Land (native reserve), he was brought up as a Roman Catholic.

He attended the Kutama mission school until qualifying as a primary school teacher. He was then taught at various schools around the country. During the 1940s, he completed his secondary education and in 1949, won a scholarship to Fort Hare University in South Africa, from which he graduated in 1951.

After teaching in Northern Rhodesia (Zambia), he left in 1958 for Ghana, where he met and married his wife Sarah. While there, he was much influenced by the policies of Kwame Nkrumah. Returning to Salisbury in 1960, he was persuaded to join the nationalist movement.

He was first arrested in 1962 but jumped bail. Interned in 1964, he spent the next 10 years in detention, during which he indulged his passion for academic work by taking a number of degrees. After his release in 1974, he began to establish his position as a prominent nationalist.

The heavier fighting in Afghanistan, the more difficult it will be for India to accommodate the rival pressures from Russia, the West, the Moslem Middle East and the non-aligned states.

Mrs. Gandhi's personal instincts will be to stick close to the Russians, as allies who proved their worth during the 1971 war with Pakistan. Indeed, it is hard to envisage a definition of Indian security which does not rely on the Russian alliance. But her influential son, Sanjay, is hostile to Moscow, his business associates have been urging closer links with the West.

There are many attractions for the West in anchoring a policy of regional stability in the solid foundations of India. But both sides find each other prickly.

The West could win a warmer response by playing to India's sense of self-importance. It could treat India as an equal to Ghio, the U.S. and Europe in any attempt to secure a settlement. But there would be no guarantee of India's support and the price of Indian friendship would include the hostility of Pakistan.

India's own efforts to launch a diplomatic initiative have met no success. Mr. Gromyko rebuffed India's attempt to wrest from Russia a timetable for withdrawal in return for certain guarantees. Mrs. Gandhi's suggestions for a regional solution were turned down by Pakistan. Some smaller regional states, such as Bangladesh, Sri Lanka and Nepal, which India likes to consider under its tutelage, have been impatient for a sharper condemnation of the Russians.

But the Indian economy has also become increasingly linked

Marxist bogey failed to deter black electorate

BY MICHAEL HOLMAN IN SALISBURY

SELDOM HAS the potent force of African nationalism been so forcefully demonstrated as in the Rhodesian election.

For the past 20 years or more the ruling white minority attempted to deny its validity, either through claims that black opinion was represented by traditional tribal chiefs, or by attempting to forge alliances with "moderate" black parties. But old loyalties have come to the fore.

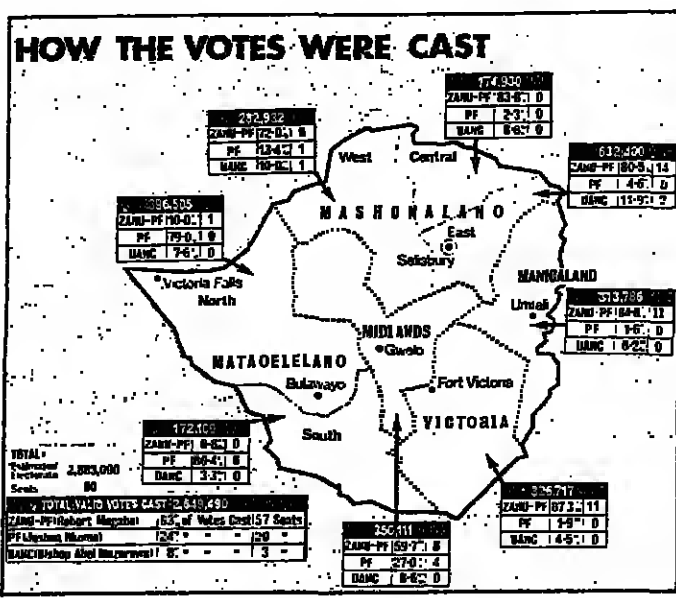
In the three-day poll 87 per cent of the 2.9m black electorate voted for the two parties whose roots go back to the 1950s.

Bishop Abel Muzorewa, the outgoing Prime Minister was swept aside. His United African National Council saw its parliamentary representation reduced from 51 seats to a humiliating three. Six minority parties have disappeared from the political map and some household names in Rhodesian politics, such as the Reverend Ndadabangi Sibhole and Mr. James Chikere, discovered that their reputations did not survive their defection from the

two established parties. The near collapse of the Bishop has stunned whites as well as taking most observers by surprise. His lavishly financed campaign included saturation advertising in the Press, colour posters, free food at rallies and campaign offices in a Salisbury hotel.

But the Bishop failed to end the seven-year guerrilla war—his major promise during last year's internal settlement. He was tainted by his association with the white minority in the coalition that ran the country. His strident warnings that Mr. Mugabe and Mr. Nkomo represented Marxism and chaos were a serious misreading of the black mood.

The Bishop and his advisers made other tactical mistakes. Conventional wisdom had it that the 350,000 workers on white farms would be influenced by their bosses, as would the 113,000 domestic workers. They were not. It was thought that the growing black middle class in Rhodesian towns would be turned against Mr. Robert Mugabe's ZANU-PF and Mr.



Joshua Nkomo's Patriotic Front by the terrifying picture of the future under them which was painted by the UANC. Clearly they did not believe it.

Instead people voted for the parties which they believed could deliver the peace. Hence it is not surprising that in areas

dominated by guerrillas of Mr. Mugabe's ZANLA army—Manicaland, Victoria, Masboulaland Central—ZANU-PF took all 29 seats.

Mr. Mugabe's triumph has also shattered the hopes of the 62-year-old veteran of black politics, Mr. Nkomo. Despite his claims of national support, 15 of his 30 seats were won in the party stronghold, Matabeleland.

One disquieting conclusion is that the election results tend to reflect the broad tribal division of black Rhodesia of approximately 80 per cent Shona and 20 per cent Ndebele.

The four seats which the Patriotic Front picked up in the Midlands, where Mr. Nkomo himself stood, as well as the single seat in Matabeleland West, were probably held mainly on Ndebele support and not won through inroads into the Shona vote.

Well-known Shona members of the Patriotic Front, such as the late president, Mr. Joshua Chikere, were casualties of the party's failure to win any seats in Matabeleland Central and Masboulaland East, and in

Manicaland and Victoria. Similarly ZANU-PF captured one of the 15 seats in the two Matabeleland districts and that sole success is due to the sizeable Shona population in Bulawayo.

It was in part to bridge this division that Mr. Mugabe and Mr. Nkomo formed the Patriotic Front alliance of their parties in 1976.

When Mr. Mugabe decided to campaign under independent colours, an angry Mr. Nkomo presented himself as the candidate of national unity, more flexible and pragmatic than his fellow guerrilla leader. The tactic failed to win Shona votes. The election saw the triumph of two nationalist parties, at one in their determination to end white rule, but still apart, divided less by policy than by tribe.

The most hopeful development, however, is Mr. Mugabe's repeated assertion that the Patriotic Front is his natural ally, and Mr. Nkomo's apparent willingness to join in a nationalist coalition.

Business community surprised and dismayed at election result

BY TONY HAWKINS IN SALISBURY

RHODESIA'S business community is both surprised and dismayed at Mr. Mugabe's victory. Less than a fortnight ago, General Peter Walls, commander of combined operations, assured a meeting of about 100 businessmen that whatever happened, Mr. Mugabe would not be the country's next Prime Minister. This was widely believed, with the result that, in the period before the elections, industrial share prices on the Rhodesian Stock Exchange increased more than 8 per cent as investors assumed a Muzorewa/Nkomo coalition as the most likely outcome.

But early on Monday, the market changed radically as Salisbury was swept with rumours of a crushing Mugabe victory. Both industrial and mining shares fell about 10 per cent. However, this fall took place in a very thin trading and mainly reflected professional marking down of shares rather than any substantial selling.

The 10 per cent fall in share prices took them back to their levels of early January and prices are still a good 30 per cent higher than they were a year ago. This is hardly explained by the fact that institutional investors are

"locked in" to the local equity market and have few viable investment alternatives. Once prices fall, there is a quick response by the institutions which move in to underpin the market. There was some evidence late yesterday that this was already taking place.

Spokesmen for both organised industry and commerce were reluctant to say more than that they accepted the result of the poll and that their organisations would work with Mr. Mugabe's Government.

For agriculture, Mr. Dennis Norman, president of the Commercial Farmers Union, which represents the country's 5,000 white farmers, said his union had always worked with the Government of the day and would continue to do so. But, he said, agriculture, and especially food production, was fundamentally to the future stability of the economy. Food output needed to be boosted in both peasant and commercial farming areas.

For the Chamber of Mines, Mr. Alan Marsh, of Loureho, predicted a 30 per cent rise in the value of mining output in 1980. The industry would continue with its efforts in the best interests of the country as a whole.

The reluctance of the business community to talk in anything but the most placid tones is understandable. There is a considerable discrepancy between some of the manifesto pledges made by Mr. Mugabe and the views that the first Prime Minister of Zimbabwe has expressed both privately and publicly about economic policy.

At his news conference in Salisbury yesterday, Mr. Mugabe ruled out nationalisation of industry or mining and said that while land redistribution was a key policy commitment of his party, there was considerable unutilised and under-utilised land available. Compensation would be paid, in terms of the Lancaster House agreement, for any land that was acquired for resettlement.

The ZANU-PF manifesto says that the economic system will be "entirely controlled" in the interests of the people as a whole. It promises that

which had previously risen on speculation of early repayment. Turner and Newall, for instance, which has a wide range of operations in Rhodesia, said in January that net asset values there had least from £6.3m to £92m during the period of sanctions. But it was still uncertain as to when dividends could be resumed.

The Loureho trading conglomerate, which has laid claim to being the largest British-based company in Rhodesia, the country's largest gold producer with

nine mines—six have been opened since illegal independence—and is also the only producer of electrolytically refined copper. Its other activities in Rhodesia range through engineering, textiles and farming.

One of Rhodesia's largest manufacturing companies is Dunlop, which employs 1,300 people there and earned a local pre-tax profit of £3m. But since its operation in the country was mainly set up to produce for the domestic market, the new political situation is expected to have a dramatic effect.

Kenya is in serious economic trouble and its Government will soon ask Parliament to help draw up a recovery plan. President Daniel arap Moi said yesterday, Reuters reports from Nairobi.

"We face serious economic problems because of adverse weather conditions and external forces such as huge increases in the price of oil, lower prices for our exports and the rising costs of essential imports," President Moi said at the opening of the National Assembly (parliament).

Kampuchea aid appeal An urgent appeal for funds for a \$260m programme to prevent famine in Kampuchea was made yesterday by Mr. Edouard Saouma, director-general of the Food and Agriculture Organisation, a United Nations agency. David Tonge writes, Mr. Saouma said \$230m in new funds was required this year for food aid. He also called for over \$30m to restore Kampuchean agriculture and fisheries.

Koreans fail to agree North and South Korean officials yesterday failed to decide on a venue for a proposed meeting between their Prime Ministers, Reuters reports from Panmunjom. But the North agreed in principle to prepare topics for the summit, aimed at reviving unification talks. The two delegations will meet again on March 18.

RUSSIA'S ALLY FEARS THE SPRING

Afghan shadow over India

BY DAVID HOUSEGO

ALL THE evidence from Afghanistan points to far fiercer fighting developing in the spring months, as a line with domestic opinion and with other leading non-aligned nations.

She still gives the Russians some comfort. But she has also signalled displeasure, sharply condemning Russia's action in a communiqué with President Valery Giscard d'Estaing of France as "inadmissible," by the frosty farewell she gave Mr. Andrei Gromyko, the Russian foreign minister, after his recent visit to Delhi, and by postponing the recognition of the Russian-backed Heng Samrin regime in Kampuchea which she promised during the election.

The worry for India is that the more the Russians tighten their grip the greater the temptation for them to intervene in Pakistan, Iraq or over the allocation of oil from the Gulf.

A further difficulty for India is that the Russian invasion also strains its relations with the Moslem oil-producing countries of the Middle East. The Indians have long been nervous of militant Islam—a movement, as seen from Delhi, which extends in an arc around the sub-continent from the Middle East to Indonesia—because of the potential backlash on India's own 80m Moslems. In this sense, India shares many of the domestic repercussions of Moslem resurgence.

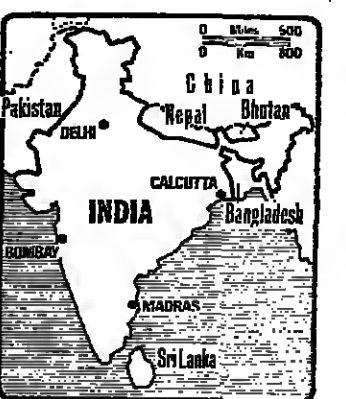
But the Indian economy has also become increasingly linked

with the Middle East, both as a source of oil and because of the substantial foreign exchange India earns from engineering goods and workers' remittances. The Moslem states would like India to take a tougher line with the Russians. This pressure is difficult to ignore now it is stiffened by support from Iraq.

India's goodwill is important to India, because it is emerging as the dominant Gulf state. It will be the next chairman of the non-aligned movement, and its secular, socialist philosophy ties in with India's. Iraq has taken a lead among Islamic states in condemning the Soviet invasion.

Mrs. Gandhi holds some strong cards. Not least is that, for the Russians, any rift in their alliance with India would be immensely damaging to their international relations, just as winning India's support would be a major boost for Russia's foes. Thus Mrs. Gandhi has been wooed by Russia and by the West, most recently to seek her backing for "neutralising" Afghanistan.

India's own efforts to launch a diplomatic initiative have met no success. Mr. Gromyko rebuffed India's attempt to wrest from Russia a timetable for withdrawal in return for certain guarantees. Mrs. Gandhi's suggestions for a regional solution were turned down by Pakistan. Some smaller regional states, such as Bangladesh, Sri Lanka and Nepal, which India likes to consider under its tutelage, have been impatient for a sharper condemnation of the Russians.



The heavier fighting in Afghanistan, the more difficult it will be for India to accommodate the rival pressures from Russia, the West, the Moslem Middle East and the non-aligned states.

Mrs. Gandhi's personal instincts will be to stick close to the Russians, as allies who proved their worth during the 1971 war with Pakistan. Indeed, it is hard to envisage a definition of Indian security which does not rely on the Russian alliance. But her influential son, Sanjay, is hostile to Moscow, his business associates have been urging closer links with the West.

There are many attractions for the West in anchoring a policy of regional stability in the solid foundations of India. But both sides find each other prickly.

Iran commission 'doomed'

BY SIMON HENDERSON IN TEHRAN

THE United Nations special commission in Iran appeared doomed last night, after the militant Moslem students refused point blank to let them see the hostages they are holding at the U.S. embassy in Tehran.

The refusal was in direct conflict with the ruling Revolutionary Council's decision, made the previous day, that the commission could see the hostages. It remained to be seen only how much longer the commission would stay in Tehran, and what diplomatic excuse it would try to make for this failure.

The commission, which has been in Tehran for 10 days, had always seen its role as not only to examine Iran's grievances against the exiled Shah, but also to try to solve the Iran-U.S. crisis and see 50 hostages and to verify their good health.

The students' rebuff showed their continuing power to thwart the Revolutionary Council, and must be seen as a defeat for President Abolhasan Bani-Sadr. A student delegation met the President and Revolutionary Council members on Monday night, but no solution was agreed on.

In a tough statement from the students, released yesterday morning, and broadcast on the main afternoon radio news, it was immediately apparent that the cause of the problem was Ayatollah Khomeini's failure to pronounce clearly on the issue.

The statement said that, according to the 79-year-old Iranian leader's guidelines, the commission's duty was to inquire into the Shah's crimes. The hostage issue was to be delegated to the General Assembly which will be elected

on March 14. The statement boldly asserted that a meeting with all the hostages was not compatible with Ayatollah Khomeini's decision and his uncompromising stand.

It is not clear to Tehran observers how aware the Ayatollah is of this issue. He will be particularly hard for the U.S. to stomach, assuming the Revolutionary Council too weak to count the students, is that the students said they had given evidence to the commission from captured files about U.S. spying. They also said that if the commission wanted to check the hostages' health, it should be done at the invitation and initiative of Iran, implying some uncertain future date, "so as to keep the criminal hands of the U.S. away from the situation."

Philippines plans to curb growth

BY PETER MONTAGNON

THE PHILIPPINES has told the International Monetary Fund it plans to restrict real economic growth this year to around 6 per cent, the same rate as in 1979, Mr. Cesar Virata, the Finance Minister, said in London yesterday.

The Philippines could easily have financed growth of about 7 1/2 per cent, but had decided against this to protect its current account balance of payments.

Mr. Virata expected the current account deficit to change little from last year's \$1.8bn, but

the deficit in the basic balance, which includes long-term capital flows, should be reduced to \$370m, from \$570m.

Mr. Virata said the Philippines had agreed with the Fund to hold this year's domestic credit expansion down to last year's 26 per cent level. This was one condition of the latest \$314m standby credit from the Fund.

Another condition, as already reported, was a ceiling of \$1.2bn on commercial borrowing abroad, compared with \$975m last year.

Mr. Virata, in London for an international conference on the Euromarkets, also said the Philippines needs to raise only \$300m more from commercial banks in international markets for the remainder of this year. With interest rates high, the Philippines' policy was to concentrate its borrowings on export financing, which is cheaper than syndicated loans, and was thus biding back from the medium-term credit market.



Mr. Allan MacEachan

Trudeau Cabinet in his own image

By Our Canadian Correspondents

MR. PIERRE TRUDEAU has picked a cabinet very much in his own image after his comeback as Prime Minister of Canada. Three key posts go to men considered to be close to him.

MR. ALLAN MACEACHAN, as Finance Minister, will have to tackle the budget deficit. Since the Progressive Conservative Government fell over the budget of retrenchment it brought in in December, Mr. MacEachan will have to show high diplomatic skills to contain the deficit, as the Liberals promised, without hurting their supporters more than necessary. The budget is expected in May.

MR. MARC LALONDE, as Minister of Energy, Mines and Resources, will have to fight a bitter battle with Alberta, the oil producing province, which was promised a price increase of C\$4 (about £1.56) a barrel by the Government of Mr. Joe Clark, with C\$4.50 more in each of the two next years. Mr. Trudeau has assured voters of nothing more precise than a lesser increase, which will give Mr. Lalonde a margin for manoeuvre. The Trumps are not all with Mr. Peter Lougheed, the Prime Minister of Alberta, as while the province has jurisdiction over its natural resources, power to regulate trade and commerce rests with Ottawa.

MR. JEAN CHRETIEN has not only been made Minister of Justice, but has also been given a degree of responsibility for relations with the governments of the 10 provinces. Most immediately that means Quebec, where the Government of Mr. Rene Levesque is preparing to ask voters to authorise it by referendum to negotiate sovereignty in economic association with the rest of Canada. Mr. Chretien, like Mr. Trudeau is Quebecois.

The appointment of Mr. Chretien seems to imply that Mr. Trudeau reserves the last word for himself, but may wish to He fairly low until after the referendum in May or June. There is reason to suppose that under the leadership of Mr. Claude Ryan, the Quebec Liberal leader, the anti-Levesque forces could win the referendum.

Another new face is that of Mr. Gerald Regan, formerly Premier of Nova Scotia, who has been thought of as a man with ambitions to succeed Mr. Trudeau when the Prime Minister retires. Mr. Regan's appointment as Minister of Labour and Sports does not, on the face of it, look like a big step in that direction.

Interest attaches to the return to the cabinet after several years of Mr. Herbert Gray as Minister of Industry, Trade and Commerce. Mr. Gray is a Canadian, an economic nationalist and was visibly delighted when Mr. Trudeau during the campaign, however circumspectly, proposed tighter controls over direct foreign investment in Canada.

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Israel brushes aside U.S. explanation of vote at UN

BY OUR FOREIGN STAFF

AN ANGRY and divided Israeli Cabinet yesterday brushed aside explanations from Washington on why the U.S. voted for a UN Security Council resolution condemning the building of Jewish settlements in the occupied Arab territories.

The Cabinet — meeting shortly after President Jimmy Carter explained that the U.S. had intended to abstain on the vote — argued fiercely over whether to order a fresh round of settlements in the Arab city of Hebron in direct retaliation against the vote. The affair is bound to strain

even further relations between Israel and its major ally. After seven hours of heated discussion the cabinet finally deferred a decision on Hebron but roundly denounced the U.S. vote in uncompromising language.

A cabinet statement said: "American support of this unjust resolution arouses strong dissatisfaction and protest among the Jewish people."

American support for the UN resolution, which referred to the highly sensitive issue of Jerusalem as well as to other territories occupied in the 1967 war, was

being widely interpreted in Israel as a major shift in U.S. policy.

But the U.S. position has consistently been that Jerusalem should remain undivided, with free access to its holy places for members of all faiths and that its status should be determined in negotiations for a comprehensive peace settlement in the region.

Mr. Carter's explanation, to the effect that the U.S. had intended to abstain, was treated with scepticism by the Israeli Cabinet. Ministers described it as a clumsy effort to soothe Jewish feelings

after the damage had been done.

If Mr. Carter had not disassociated the Administration from the vote, the Israeli Cabinet was expected to give the go-ahead for the establishment of a religious school in the heart of Hebron.

Israeli officials reported a sharp difference inside the Cabinet room between Prime Minister Menachem Begin (right) and Mr. Ezer Weizman, Defence Minister.

The Defence Minister, a leading opponent of provocative settlement on Arab land, argued against sending Jews to live in Hebron which has

not had a resident Jewish population since a massacre by Arabs in 1929.

It was the killing of a Jewish soldier in Hebron market last month which led to the UN vote. After the killing, the Israeli Cabinet sought to mollify Jewish extremists with a declaration of principle that Jews had a Biblical right to live in Hebron.

Because Hebron is as sacred to Muslims as it is to Jews, this pronouncement aroused fierce reaction abroad, including formal criticism by the U.S., which eliminated in the UN vote.

What embittered Israelis more than anything else was the inclusion in the UN resolution of East Jerusalem which they regard as a permanent and undetachable part of the Jewish capital. Dismantling settlements in Jerusalem would mean evacuating densely populated Jewish suburbs which have been built since the 1967 war. Israeli officials have also denounced the call made by France in a joint communique with Kuwait for Palestinian "self-determination" — describing it as "a further negative change in France's Middle East policy."



Volte-face on settlements resolution pleases no one

BY DAVID SUCHAN IN WASHINGTON

PRESIDENT Jimmy Carter's volte face in saying the U.S. vote in favour of a United Nations Security Council resolution condemning Israeli settlements in occupied Arab territory was an error has damaged his credibility. It has also failed to assuage the anger of Mr. Menachem Begin's Government.

Neither the President's nor Mr. Donald McHenry, the U.S. Ambassador at the UN, managed to explain satisfactorily yesterday how the blunder had occurred. Mr. McHenry acknowledged that the Administration had got the "worst of both worlds" by saying it had intended to abstain rather than vote in favour of last Saturday night's resolution.

The impression left was that Israeli reaction and electoral considerations may have been the reason, rather than a failure in communications referred to by both Mr. Carter and Mr. McHenry.

The U.S. still stands on the record, whatever President Carter may say to placate Mr.

Begin and Administration officials yesterday attempted to soothe the distinctly nettled feelings of the American Jewish lobby. Mr. McHenry also suggested yesterday there would inevitably be Arab accusations that President Carter had caved in to political pressures on his Middle East policy. Similar accusations followed last summer's row involving his predecessor at the UN, Mr. Andrew Young.

The latest row closely recalls the Young affair. But Mr. Young was fired for holding what were then said to be unauthorised talks with Palestine Liberation Organisation officials in New York. Mr. McHenry yesterday stoutly maintained he had followed the letter of his State Department instructions in voting for the UN resolution. President Carter, in his statement issued late on Monday night, concurred with Mr. McHenry in blaming the "error" within the Administration.

on a communications mix-up. Mr. McHenry, although black like his mercurial predecessor,



President Carter: mix-up in internal communications

differs markedly from him in other respects. He is a punctiliously cautious career diplomat.

It now seems fairly clear that the White House simply lost its nerve after the Saturday vote in the face of an official Israeli protest, the fears of some U.S. officials that Mr. Begin's Government might pull out of the Palestinian autonomy talks, and the prospect that President Carter might lose the Jewish vote. That vote will carry considerable weight in the Florida primary election on March 11. Certainly, Senator Edward Kennedy has jumped in quickly, loudly condemning the UN vote, which he called "a shameful movement in our diplomatic history."

Mr. McHenry said yesterday that the UN Resolution only stated "very clearly" what has been oft-declared State Department policy: that Israel's policy of increasing Jewish settlements on occupied Arab land on the West Bank is inconsistent with international law and is an obstacle to peace.

He also said the department, to which Mr. McHenry is directly responsible, was under the clear impression that if it



Mr. McHenry: followed the letter of his instructions

then President Carter favoured it. This paragraph was deleted in the final resolution.

The White House on Monday night complained that all references to Jerusalem should have been struck out to win U.S. approval. But the UN ambassador yesterday said those which remained were of the most perfunctory nature, and had been in previous UN resolutions which Washington had supported.

U.S. diplomats last week had also tried to get struck out a call in the non-binding resolution for Israel to dismantle its settlements. Mr. McHenry found this impossible to achieve, and was reportedly told by Mr. Cyrus Vance, the Secretary of State, to vote for the resolution and then make a statement saying that dismantling the settlements was impractical. This Mr. McHenry did.

Israel now has around 50 Jewish settlements in the occupied Arab territories, with about 5,000 to 6,000 settlers.

The catalyst for the UN resolution, however, was Israel's recent decision to allow Jews to settle in the West Bank Arab city of Hebron.

But Mr. Sol Linowitz, the U.S. mediator in the Palestinian autonomy talks between Israel and Egypt, is said to have opposed a U.S. vote condemning the settlements, for fear that Mr. Begin's Government might slow progress further in the talks, or possibly pull out altogether.

However, Mr. McHenry said yesterday that the UN resolution should have no effect on the autonomy negotiations. "On the contrary, the point we have been making is that the settlements endangered the talks," he said.

This is the second time in less than a year that President Carter will have appeared to Arab nations to have lost his nerve on Middle East policy. But the President clearly felt he had to backtrack to please a domestic Jewish constituency in this election year.

Petrobras opens Brazil borrowing

BY PETER MONTAGNON

BRAZIL HAS finally begun to crank up its large 1980 foreign borrowing programme with the award of a mandate to Bank of America and Deutsche Bank to manage a \$250m 10-year credit for Petrobras, the state oil company.

The credit, long-awaited in the Euromarkets, is seen as a benchmark for terms Brazil can expect on foreign borrowing this year. It bears a spread of 4 per cent above the London Interbank Offered Rate (Libor) for the first five years and 1 per cent thereafter.

The terms are significantly more costly than Brazil obtained on its \$1.3bn Eurocredit late last year. That bore a spread of 2 per cent above Libor for the first four years and 4 per cent for the remaining eight.

Nonetheless, international bankers see them as fair for today's conditions.

Petrobras was able to obtain good terms because it is highly rated — among Brazilian borrowers, both for its scarcity value and because it offers substantial collateral business for participating banks.

Also international credit markets are currently liquid as the volume of business has been relatively low this year while banks are beginning to be flush with deposits from members of the Organisation of Petroleum Exporting Countries (OPEC).

The Petrobras credit is the first new credit to be arranged by Brazil this year despite the country's large foreign financing requirement amounting, according to Prof. Antonio Delfino Netto, Planning Minister, to some \$12bn.

Bankers feel that terms for subsequent borrowings will be at least the same, or probably higher than those just announced for Petrobras.

Carter likely to reject broad credit controls

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

THE CARTER Administration is believed to have ruled out use of across-the-board credit controls as part of the anti-inflationary package it is preparing.

It is considered likely that the measures will concentrate on cutting federal spending by as much as \$4bn this fiscal year and \$15bn in the year

beginning in October. But the magnitude of the cuts will probably not be determined until a new economic projection being drawn up by the Council of Economic Advisers is ready.

In any case, the promised package will probably not emerge for a week at least. This is partly because the Administration wants to be sure that Congress will not balk at some of the specific expenditure cuts contemplated.

The apparent decision to forego full-fledged credit controls stems from a number of factors. First the Administration is nervous that such vulnerable sectors as cars and housing would be plunged further into recession (though the housing market has held up tolerably well in the face of high interest rates over the last six months).

Second, there is a growing feeling that credit controls would be ineffective and spark a mad rush to find alternative sources of financing.

At the same time, the word is being put out that limited use of the 1969 Credit Control Act might be implemented — perhaps as a way of enabling the Federal Reserve Board to regulate the lending activities of those banks which are not members of the Fed system or of preventing member banks from getting around Fed reserve requirements.

It appears likely that, in cutting spending, the Administration will at the very least raise the hope that the 1981 Fiscal Year budget can be balanced. This was a commitment by President Carter early in his White House tenure but one which had subsequently been tacitly dropped.

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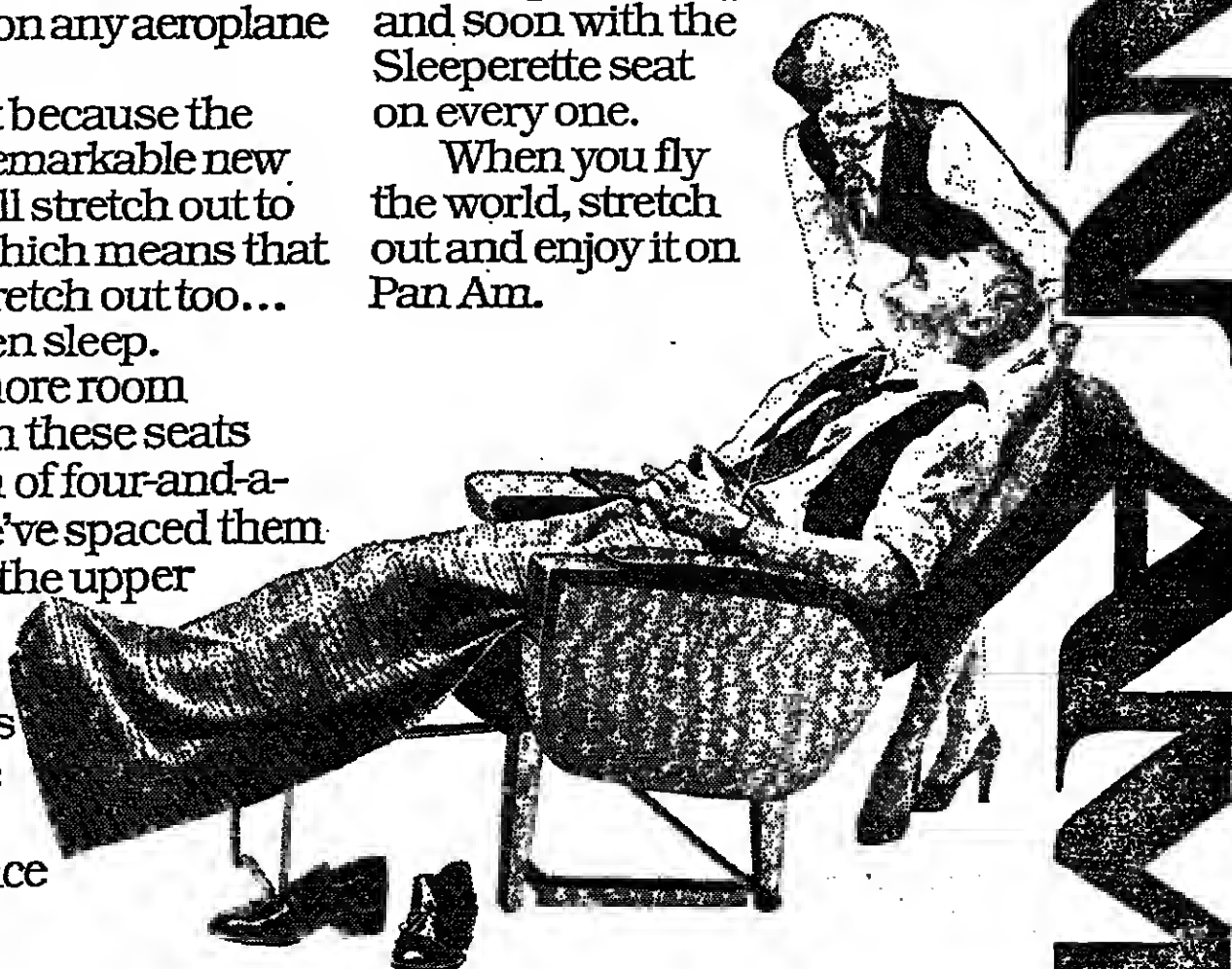
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WORLD TRADE NEWS

News Analysis • Mark Webster examines the background to Nigeria's LNG agreement with W. Europe

Success of Lagos gas plan hangs on U.S. decision

THE FINAL go-ahead on the multi-billion-dollar liquefied natural gas (LNG) plant in Nigeria depends on the outcome of vital negotiations with the U.S., the managing director of the State oil company has said.

Mr. Festus Marinho, managing director of the Nigerian National Petroleum Corporation, told the Financial Times recently in Lagos that the Americans had been given a deadline to make up their minds about the project by "some time next year."

A group of eight leading West European gas distributors has already reached agreement with Nigeria for the supply of 8bn cubic metres of gas a year. The group has negotiated a 20-year contract to start gas supplies in 1984-85.

The project will need an

agreement with either the U.S. or a bigger European contract before it can go ahead. The Nigerians have to guarantee to sell the entire output of the plant before it can be constructed as all the gas will be for export.

But the intention of the Nigerian Government had always been to sell all or part of the gas to the U.S. market, where it already sells most of its oil. Technical problems have arisen with the U.S. buyers, according to Mr. Marinho, and they will also have to obtain the approval of the U.S. Government to import the gas. Mr. Marinho said Nigeria was still optimistic that agreement could be reached with the American buyers and with the Government. But he said that if no agreement were forthcoming, Nigeria would look to the European market for the whole of its exports.

The European companies which have agreed a deal with Nigeria are Gaz de France, SNAM (Italy), Ruhrgas (West Germany), Distrigas (Belgium), Gasunie (Holland), Bechtel (West Germany), Enagas (Spain) and Thyssengas (West Germany).

The Nigerians have been keen to sell to the U.S., thereby concentrating their market in one place. Now they have agreed to sell half to Europe it is bound to increase their transport costs on what is already an extremely expensive project.

Total costs are put at between \$10m and \$14m and include the cost of construction and the purchase or hire of LNG tankers. About 16 tankers—each with a capacity of some 130,000 cubic metres—would be needed for the European deal, according to one of the companies.

The company which will undertake the processing and ship-

ping of the gas is Bonny LNG. It is owned 60 per cent by the Nigerian Government through the State oil corporation. The remaining 40 per cent of the equity is divided between five oil companies. BP and Shell have 10 per cent each while the remaining 20 per cent is shared by Phillips, Agip and Elf Aquitaine. All five BP have companies extracting oil in Nigeria.

Each of the operating companies will prospect for their own gas and sell it at the well head to the Government-owned Nigerian Gas Transmission Company which will own the pipeline. Nigeria has expressed a willingness to give a 10 per cent stake in the pipeline company to international pipeline experts in return for their help in construction and maintenance.

The gas will then pass to the jointly-owned Bonny LNG company which will be responsible

for processing and marketing the product. The Nigerian Government has reserved the rights for 50 per cent of the shipping, but has still to make up its mind about whether it will lease or buy the ships.

Supplies of gas for the project should provide no problem, according to the oil companies. The present plan envisages processing up to 2bn cubic feet of gas a day which is about the level of gas being flared every day.

Nigeria's present level of oil production is 2.1m b/d and Mr. Marinho said the Government had no intention of reducing that level in the foreseeable future. If it were decided to reduce the production level, supplies to the plant could be maintained through exploitation of the large reserves of un-associated gas.

Financing of the project is still being worked out, but most

of the money is likely to come from abroad. Nigeria is still heavily underborrowed, with a debt service ratio of less than 1 per cent, although that figure will rise significantly in the mid-1980's.

The advantages of an LNG deal are the certainty of continued supplies thanks to the long-term contracts which are needed before the project can get underway. But the other major supplier in Africa, Algeria, recently doubled the price of the LNG supplied to France and is expected to revise its contract with West Germany and the Netherlands. Algeria is keen to keep the cost of LNG in line with rising oil prices.

Nigeria has not made clear what its pricing policy will be, but has said that a price for the gas supplies has already been agreed with the Europeans and its potential U.S. customers.

Alfa Romeo-Nissan deal for joint car plant imminent

BY PAUL BETTS IN ROME

ALFA ROMEO, the Italian state-controlled car manufacturing group, is expected imminently to sign a major collaboration deal with Nissan of Japan for the joint production of a new medium range passenger car at the Italian company's southern plant of Alfesud, near Naples.

After talks with the Alfa Romeo top management, the Italian engineering and metalworkers union yesterday indicated they would not oppose the deal between the Italian car group and the Japanese company.

The deal has been at the centre of a major controversy in Italy due to fears that it could represent a bridgehead for Japanese car industry in the Italian market. In particular, opposition to the joint venture has come from Fiat, Italy's largest car manufacturer, which reported disappointing results in its car manufacturing activities last year.

While engineering union leaders emphasised they would press for greater collaboration

between Italy's two main car manufacturers, Fiat and Alfa Romeo, they said they were satisfied the Alfa-Nissan deal would not threaten the Italian car industry.

Although Alfa Romeo is still awaiting formal government approval to go ahead with the Japanese deal, the unions have now seemingly cleared the way for the Italian state company to sign an initial protocol agreement with the Japanese company.

The agreement is understood to involve the setting up of a joint company between Alfa Romeo and Nissan in which the two companies would control an equal share of its capital.

The new company, entirely under Alfa Romeo management, is expected to build a new plant near Naples for the production of the new car which will also be assembled in the Alfesud complex at Pomigliano d'Arco, near Naples.

Nissan is to supply the body parts for the new car, while Alfa Romeo will supply the engine and mechanical components of the vehicle.

Australian coal mission to Thailand

By Patricia Newby in Canberra

AN AUSTRALIAN technical mission has arrived in Thailand to advise Thai authorities on conversion of their power generation and cement industries from oil to coal.

The mission follows talks late last year between Mr. Doug Anthony, the Australian deputy Prime Minister and Minister for Trade and Resources, and General Kriangsak Chomanan, the then Thai Prime Minister.

The mission is studying sites and facilities for new coal-fired power stations, capital and operating costs for new power stations, conversion of existing oil-burning equipment to coal firing, and requirements for ports and transport to enable coal-fired facilities to operate efficiently.

Australia's coal-based power generation and cement industries are considered to be technically efficient and advanced in environmental pollution control. It is keen to assist nations in the region to convert to coal as this may lead in the long run to increased sales of Australian steam coal—coal used in power-generation as compared with coking coal used in the steel industry.

Mitsui raises its share in Iran chemical project

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

MITSUMI, Japan's number two general trading company, has announced a substantial increase in its stake in the Bandar Khomeini petrochemical project in Iran.

Hitherto Mitsui had had 45 per cent equity holding in the Iran Chemical Development Corporation (ICDC), the Japanese joint venture company which holds a half share in the project (with the other half being held by Iran). Mitsui now plans to step this up to 60 per cent in order to "clarify" its responsibility for the project.

Magirus Deutz close to \$250m Syria deal

BY OUR ROME CORRESPONDENT

MAGIRUS DEUTZ, the West German subsidiary of the Iveco commercial vehicles group wholly controlled by Fiat, is negotiating the construction of a commercial vehicle assembly plant in Syria and the supply of some 4,000 vehicles.

The proposed deal, which Fiat last year said was at an advanced stage of negotiations, is estimated to involve more than \$250m.

The venture envisages the assembly at the new plant of Magirus Deutz commercial vehicles supplied by the West German subsidiary in completely knocked-down packages, according to Fiat.

Fiat last January took full control of Iveco, Europe's second largest commercial vehicles group, by buying for an estimated \$175m the 20 per cent shareholding held by

Klockner-Humboldt-Deutz of West Germany.

The negotiations with Syria came at a time when Iveco is attempting to increase its presence in the Middle East and North Africa. It recently won orders worth about \$170m for the supply of 3,000 trucks to Tunisia and last month signed an agreement for the supply of 880 trucks to Algeria and won orders for 350 buses from Egypt.

As part of its current market diversification policy, Iveco is also seeking to boost its presence in North America. Iveco's current share of the West European market is around 20 per cent. In Italy, the group controls 84.3 per cent of the domestic market, while it has a 15.8 per cent share of the West German market, 15.3 per cent in France and 4.7 per cent in Britain.

Paris wins argument over ships

By Terry Dodsworth in Paris

THE FRENCH Government has won a long-fought battle to have a big job-saving shipbuilding contract placed in France rather than with a Japanese shipyard.

Construction of the four container ships involved should give about half a year's work to the 5,500 workers at the Alstom-Atlantique yards at St. Nazaire.

Because of the deal's importance to one of the country's unemployment blackspots, the Government refused to grant import licences on two boats. Chargeurs Delmas-Vieljeux had planned to have built in Japan, thus forcing the company into the arms of a French shipbuilder.

Since this ban was invoked last month, a bitter argument has ensued between the Government and Delmas about the terms of the investment aid for buying in France.

Whereas the Japanese were asking for FF 80m (€9m) a ship, the French offer was only reduced to FF 95m a vessel after extensive negotiations. This is the price after taking into account some FF 70m of subsidies to the shipyard for each vessel, and a 15 per cent investment grant to the shipowner.

Although the authorities fought hard against granting investment aid to Delmas, they seem to have finally given in to the shipowners' demand in order to keep the contract in France.

Japan TV hearings set

WASHINGTON—The U.S. International Trade Commission (ITC) will begin public hearings today on imports of colour TV sets from Japan and other countries.

A domestic labour industry group known as the Committee to Preserve American Colour Television (COMPACT) will be urging the ITC to recommend that President Carter takes action to restrict imports beyond mid-1980, when bilateral "orderly-marketing" agreements with Japan, South Korea and Taiwan are to expire.

The ITC said it also would hear officials for the Electronic Industries Association of Japan, several Japanese TV set-makers, and producers in Taiwan and South Korea.

Meanwhile, a U.S. trade policy official said the Commerce Department would announce soon that the U.S. is scaling down pending U.S. anti-dumping duties against imports of colour TV sets from Japan. AP-DJ

Garuda obtains \$261m loan

BY ANTHONY ROWLEY IN HONG KONG

GARUDA International Airways of Indonesia has signed a \$261m loan agreement with an international syndicate of banks in Hong Kong yesterday.

The loan was announced by Citicorp International on behalf of the other lead manager for the loan. The lead group also

includes Bank of Montreal (Asia), Dresdner (South east Asia), Fuji Bank, Grindlays Asia, Societe Generale and Sumitomo Bank. The loan will be used by Garuda to purchase four Boeing 747 aircraft and related spare parts.

The interest rate is 0.75 per cent over LIBOR over 10 years.

ASEA wins £22m U.S. rail order

BY JOHN WALKER IN STOCKHOLM

AN ORDER worth SKr 210m (£22.5m) for an extra 17 high-speed lightweight locomotives has been placed by Amtrak with the Swedish ASEA company. Amtrak is responsible for nearly all the inter-city rail passenger services in the U.S. The locomotives for this new order are in for use in the north-east corridor.

The locomotives will be similar to the 30 AEM-7 being built by the electro-motive division of General Motors, ASEA's licensee in the U.S. Their design is based on the Swedish Thyristor locomotives Class RC4, but their output of

4,320 kw is 30 per cent higher and they are geared to a speed of 200 km/h (125 mph).

They will provide service speeds up to 195 km/h on the Washington-New York-Boston line and will be equipped to operate over the corridor's several different power systems.

Under the north-east corridor development project, scheduled for completion in the mid-1980s, Amtrak and the Federal Railroad Administration estimate that 47 of the new lightweight locomotives will be required to provide high-speed services.

The entire scheme, costing \$1.8bn (£178.4m), is expected to be completed in the mid-1980s.

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A REMARKABLE RECORD OF INVESTMENT SUCCESS FOR PENSIONS MANAGED FUND

BONUS DECLARATION

The year 1979 was the last year of the Society's triennium and the assessment of our assets and liabilities is detailed within the Annual Report and Accounts. The new bonuses which have been declared are once again the highest in the Society's history and are in part the consequence of the very high rates of interest experienced during this triennium. These high rates are, in turn, a reflection of the failure to control inflation. Successive increases in bonus rates over a period of years may have fostered the belief that such increases can be expected to continue indefinitely and should be welcomed. It is, therefore, in place to emphasise that the British economy cannot begin its long haul back to prosperity until inflation has been brought under control. The achievement of this control would bring with it a fall in interest rates below the current levels which impose so damaging a burden on the nation's industry. In such circumstances, bonus payments in current money terms must also be expected to suffer an eventual fall, but it is entirely realistic to anticipate that the gain to policyholders, in terms of real purchasing power, would be substantial.

In the meantime the new rates of bonus help to combat the inflationary loss of purchasing power during the triennium.

NEW BUSINESS

The rapid expansion experienced by the Society during 1979 was the result of the establishment both of new pension schemes devised to facilitate contracting-out of the State graduated scheme, and of individual pension schemes and arrangements for directors and executives sought in response to the stimulated interest in retirement benefits. It was not to be expected that the rate of growth of new business in 1979 would match that of 1978. It is therefore all the more satisfactory to be able to report that new annual premium income at £8.4m was 21% higher than in 1978, an outcome which owes a lot to the intense continuing activity in company pension schemes and in arrangements for the self-employed. The increase of 13% in new annual premiums for individual life assurance business, while not matching the progress in the pension departments, was nevertheless a highly creditable achievement.

LIFE ASSURANCE PREMIUM RELIEF

It is obviously desirable that, in addition to the various pension arrangements, there should be well devised financial vehicles for the investment of savings by individuals which will allow them to match the provision thus made to their assessment of their own personal needs. Financial assets, however, are in greater danger of being eroded by inflation than are non-financial assets and the current fiscal arrangements are scarcely

appropriate for a situation of this kind. The capital gains tax imposes a levy on increases in nominal values which merely reflect inflation. The investment surcharge penalises dividend income and the stamp duty adds unnecessarily to the cost of investment without providing a significant return to the Exchequer.

Life insurance continues to occupy a dominant position among financial assets. The life assurance premiums are a convenient method of achieving regular savings and have the unique feature that, in the event of death, an estate is immediately available. If this is an advantage to the individual, it is also of undeniable benefit to the financial management of the community in that the building up of the funds ensures a steady and reliable flow of finance for Government and for industry. It is in this context that the tax relief available at 17.5% of the annual premium for qualifying policies should be considered. This relief makes saving through insurance particularly attractive to those prepared to maintain their contracts for a period of at least ten years. Some anxiety was therefore caused when it was learned that the Government was reviewing the justification for this form of relief and the subsequent announcement that the relief is not to be abolished has been reassuring. It is understandable that the case for this relief should be examined by a Government which is deeply concerned by its borrowing requirement, but in so far as this tax relief calls forth a flow of steadily maintained savings, the financing of the needs of both Government and industry on a non-inflationary basis is facilitated.

Although the life assurance industry believes that the case for tax relief is soundly based, it is well aware of the manner in which it can be abused by fringe operators who have no regard for the wellbeing of the industry or its policyholders. None of the established members of the industry in this country is prepared to indulge in this type of business. The Life Associations, for their part, do their best to discourage the marketing of such policies and will co-operate fully with Government in any legislative action which seems desirable. It is disturbing that legislative coercion should be the only way of suppressing irresponsible behaviour by a minority of companies which constitute, however, only a very small section of the market.

DEVELOPMENTS IN PENSIONS

The concentration of attention in recent years on provision for retirement has naturally resulted in important developments in the means by which that provision may be secured. Not so long ago, the choice of pension provision was very limited. If the employing company were of such size that it made use of investment and financial experts in the normal course of its business, it would probably set up its own private fund. Other employers would

make use of pension contracts by which an assurance company would become responsible for providing the requisite pension benefits and an insurance broker or pension consultant would be responsible for directing the employer to a suitable life office.

Nowadays the options are much more extensive. Most of the life offices in the pensions market, along with finance houses, merchant banks and their associated insurance brokers or pension consultants, operate their own managed funds. There are various types but all aim at enabling the employer of modest size to operate a privately invested pension scheme with investments in the units of a managed fund and with the administration of the scheme separately arranged, not necessarily with the proprietor of the managed fund. With a variety of managed funds and administrative service agencies to choose from, an employer can expect to find a system exactly suited to his requirements. The gain thus derived is substantial but it is necessary to add that there has been at least one unfortunate consequence of the broker or pension consultant who in the past stood apart and gave the employer independent advice may now wish to commend the managed funds or the services of organisations with whom he has an association. The situation may thus be brought about that the pensions insurer and the consultant are in direct competition with each other in respect of the services they offer.

The Society's investment expertise in this field has been available for many years to pension funds whose liabilities are insured with the Society but is now being made widely available to all pension funds through the medium of our independent managed fund subsidiary. Its remarkable record of investment success has been achieved to no small degree by the sophisticated approach to investment analysis developed by the Society in recent years. We shall continue to extend and refine these investment techniques in order to ensure that the future performance is likely to be equally successful.

From the point of view of the industry, a less welcome development in the pensions market has been the proliferation of small self-administered pension schemes with a substantial element of self investment in the employer. To some extent their establishment must have been encouraged by the publication during 1979 of certain guidelines prepared by the Superannuation Funds Office of the Inland Revenue. A scheme of this nature can perhaps be justified when its members are controlling directors of the company or are otherwise closely involved in its fortunes. In these circumstances the investment of a substantial proportion of the assets of the fund in a loan to the employer may be acceptable although it must inevitably lead to a loss of security of the promised retirement benefit. For a small business a scheme constituted on these lines may be the

The Annual General Meeting of the Society takes place in the Central Hotel, Gordon Street, Glasgow, on Wednesday 26th March, 1980 at 12.15 o'clock. Copies of the full Annual Report and Chairman's Statement can be obtained from the Secretary, 109 St. Vincent Street, Glasgow G2 5HN.

SM

The Scottish Mutual Assurance Society

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Record reserves after Bank intervention

BY DAVID MARSH

BANK OF ENGLAND intervention to dampen the strength of the pound resulted in a further moderate rise in the UK official reserves last month.

The scale of currency inflows was, however, less than in December and January, as the Bank also sold dollars from the reserves last month.

The reserves of gold and foreign currency rose £229m to a record £23,938m at the end of February. There was thus an underlying increase of £368m when new public sector borrowing of £80m and repayments of £168m are excluded.

The underlying rise compared with increases of \$509m in January and \$493m in December. Net currency inflows of \$1,371m in the past three

months reflect a significant rise in international demand for sterling. Resulting from high UK interest rates and Britain's rising North Sea oil revenues.

The Bank of England intervenes on the foreign exchange market to smooth out excessive rate fluctuations rather than to maintain any exchange rate target for the pound.

It bought dollars for the reserves in February, particularly during sterling's run to above \$2.30 early on in the month. But it gave some help to sterling when the pound went down in the second half of the month to below \$2.27, which resulted in some currency outflows.

Sterling slid around 4 cents on the first two trading days

of this month. But the Bank of England has remained on the sidelines, especially as the drop has largely reflected a general international move into the dollar rather than sterling weakness.

Although neither the Treasury nor the Bank of England wants the slide to become excessive, some officials are relieved that the fall will help the competitive position of exporters.

Last month's public sector overseas financings under the exchange cover scheme, comprised borrowings of \$30m by British Airways and repayments of \$168m by the Electricity Council, as well as small amounts by other nationalised industries.

Few private pensions linked to inflation

BY ERIC SHORT

LESS THAN 1 per cent of company pension schemes automatically link pension payments to inflation, compared with 22 per cent of schemes in the public sector, according to the fifth annual survey of occupational pension schemes by the National Association of Pension Funds.

The survey, conducted last year, covered 1,190 schemes, 997 in the private sector and 193 in the public sector and 10 in no definite category.

It covered small, medium and large funds, although the Civil Service scheme, the most famous for providing inflation-proof pensions, is excluded because it is unfunded.

Very few pensioners in the private sector are at present given automatic protection

against inflation when they retire, compared with generous treatment in parts of the public sector.

The survey showed, however, that most employers were doing something about increasing pensions after retirement. About 40 per cent of schemes gave automatic increases, mostly 3-4 per cent each year, and 47 per cent gave non-automatic ad hoc increases.

Employers were making an average contribution to pension schemes of 11.26 per cent of payroll on contributory schemes and 16.98 per cent on non-contributory schemes.

"Survey of Occupational Pension Schemes, 1979: £10 (non-members) from the NAPP, Prudential House, Wellesley Road, Croydon CR9 9XY.

Forecast of electricity need cut

THE Central Electricity Generating Board has reduced its forecast for electricity demand in 1984-87 by 8 per cent. This was revealed yesterday at the Val de Belvoir coal mining inquiry.

Mr. G. Bartlett, for the board, said that earlier in the Belvoir inquiry electricity use for England and Wales for 1986-87 had been estimated at 261 terawatt hours (261 Megawatt hours). But a recent review by the Electricity Council had reduced the figure to 239.4 TWh, because of deterioration in output and falling sales.

The CEBG is the NCB's main customer, using coal to generate 70 per cent of its electricity.

Liverman to retire

Mr. John Liverman, a deputy secretary at the Department of Energy and a part-time board member of British National Oil Corporation, is to retire next month. His position of oil responsibilities will pass to Mr. Philip Jones, also deputy secretary.

Subsidy study

Up to a third of increased subsidies for urban public transport can be taken up by increased unit costs and higher manning, according to an international study by the Transport Road Research Laboratory.

Channel 'by 1983'

THE FIRST trains could be running through the proposed Channel Tunnel by 1983. Sir Peter Parker, chairman of British Rail, said yesterday in an address to the British Chamber of Commerce in Paris.

Plan for schools

THE Schools Council yesterday attacked Government proposals for a "core curriculum" of basic subjects to be taught in all schools. The council, the national independent body responsible for exam and curriculum reform, said the proposals should be improved. The council said it had conveyed its views to Mr. Mark Carlisle, the Education Secretary.

Ice rink loan

THE Inner London Education Authority is to offer Mecca a £50,000 interest-free loan to help re-open its Silver Blades ice-rink at Streatham, South London—subject to reduction in admission charges for students.

Geologist's letters for £2,200

TOP PRICE in London yesterday was £2,200 for an archive of more than 350 autograph letters of the Victorian geologist, William Hutton. It was paid on the second day of Sotheby's letters and manuscripts sale, which totalled £48,971 in two days.

A document signed by Robert Stevenson made £550. At Sotheby's Belgrave auction of Victorian paintings, Horses at

SALE ROOM

BY ANTHONY THORNCROFT

the Byre, signed J. F. Herring, sold for £1,800; and a view of Santa Maria della Salute, Venice, by William H. Burnett, for £1,500.

In two routine sales at Christie's, modern prints made £32,398, with top prices of £900 for A Spanish Good Friday, by Sir Muirhead Bone; and £850 for a drypoint, French Troops Resting, by Christopher Nevins; and Japanese works of art £70,215, highest price £1,600 for a large ivory carving of A Standing Lady, by Michinaka.

A Bonham's silver sale totalled £25,228. An Egyptian white metal canteen of c.1800, 18 pieces, went for £1,500; and a John Latham coffee pot of 1781 for £1,450.

UK NEWS

Government urges small companies to use loan scheme

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE Government is urging small firms to take advantage of a loan scheme agreement signed yesterday with the European Investment Bank.

Mr. David Mitchell, minister with special responsibility for small firms, explained that the £20m loan agreement signed in Luxembourg means that long-term loans are now available for firms in the assisted areas which want to invest in new projects costing £34,000 or more. Half the cost can be met as a seven-year loan at the rate of 11 per cent, plus one or two per cent to cover the exchange rate risk.

The Government is anxious that smaller firms should take this opportunity, especially those which wish to borrow between £25,000 and £50,000. Previous facilities totalling £20m in 1978 and £30m in 1979, were usually taken up by medium-sized companies wanting loans of up to £500,000. Smaller loans are often more difficult to raise from the private sector, particularly for a long term and with

a relatively low rate of interest. Government policy towards small firms, apart from personal tax concessions, has tended to concentrate on encouragement for the private sector to provide financial schemes. The proposal for a loan guarantee scheme between the Government and financial institutions, for instance, still awaits a decision from the Department of Industry.

If the new European scheme proves popular with smaller firms, more money may be made available. The ceiling is set by the amount of loans from the EIB and the European Coal and Steel Community for which the Government has agreed to guarantee the exchange risk. This has been set at £200m until the end of 1981, of which £80m is earmarked for smaller firms. But this may be raised.

Mr. Fionnes Cornwallis, the CBI Smaller Firms Council's chairman, called on the Government yesterday to provide substantial tax incentives in the budget. He wants to see lighter capital transfer tax and changes in capital gains tax.

Coalmen fear new price rise

By Martin Dickson

THE National Coal Board is expected to raise the price of domestic fuels "substantially" in November, on top of increases of more than 13 per cent between now and July, said officials of the Coal Merchants Federation of Great Britain yesterday.

The NCB increased the price of house coals and smokeless fuels by between 8 and 11 per cent on March 1. A second rise of about 5 per cent is fixed for July 1.

The NCB has said that it will review prices toward the end of the year.

Mr. Rex Rose, president of the coal merchants, said yesterday that NCB price increases were only one element in the retail trade's increasing costs. Others included a 12.5 per cent rise in British Rail freight charges; several hundred per cent on the ground rent for stacking coal on British Rail property; and oil price rises in recent months, greatly raising road distribution costs.

Mr. Rose said the NCB had made great and successful efforts in the past year to increase supplies of house coal. Merchants still faced a shortage of British-made anthracite, and were importing about 100,000 tonnes a year.

Mr. Rex Rose, president of the coal merchants, said yesterday that NCB price increases were only one element in the retail trade's increasing costs.

Others included a 12.5 per cent rise in British Rail freight charges; several hundred per cent on the ground rent for stacking coal on British Rail property; and oil price rises in recent months, greatly raising road distribution costs.

A considerable expansion was possible, thanks in part to better fuel-burning appliances.

More orders for offshore oil supply industry

BY RAY DAFTER, ENERGY EDITOR

THE UK offshore oil supply industry is continuing to capture a growing share of North Sea orders and should receive around £1bn worth of contracts this year.

But many sectors of British industry could do much more to capture offshore contracts, according to Government officials with specific responsibilities for hosting domestic companies in the oil industry supply business.

Mr. Norman Smith, director general of the Government's Offshore Supplies Office, said yesterday that the UK industry was on course to increase its share of orders to almost 70 per cent this year as against 68 per cent in 1978 and 25-30 per cent in 1973.

He told members of the Oil Industries Club in London that in the early 1970s consultants had found that without government encouragement and sponsorship, the British share of offshore work might rise to only 35-40 per cent by the late 1970s.

OSO, set up to aid UK industry, had cost around £3m annually in running costs over the last three years. In addition, almost £80m had been committed by the government as grants or as sponsorship for platform building sites.

"In my view, OSO has succeeded in creating and maintaining jobs in the UK and has also helped to provide opportunities for UK nationals to develop offshore industry skills. However, in general I think we have been less successful in developing indigenous industrial capability or new companies," said Mr. Smith, who is returning to merchant bankers, Baring Brothers, after a three-year secondment to the Supplies Office.

There were some areas where

British industry had done badly, he said. The supply of oilfield equipment and services was a particular example. Surprisingly, the UK's worst record was probably in marine activities requiring very large capital investment, such as drilling rigs, deep diving support vessels, and heavy lift and pipelaying ships.

The reasons included:

● Lack of UK risk capital for large projects.

● Too many conglomerate entrants to the offshore market which had insufficient understanding, commitment or speed of decision to adjust to changing offshore conditions.

● Too few well financed and managed medium sized UK companies dedicated to the offshore market.

● Too many under-capitalised entrants to the offshore market.

● New entrant UK companies had found it difficult to compete with the track record of established U.S. service companies.

● UK industrial relations problems, especially those arising from manning levels and practices.

EEC aid sought for airstrip

THE EEC has been asked for funds to upgrade a grass landing strip in Fife into an international airport for the repair and maintenance of light aircraft.

Sir George Sharp, chairman of the Glenrothes Development Corporation, said there would be 300 jobs if the corporation's application succeeded. Prohibitive costs at larger aerodromes had attracted three aircraft concerns ready to build hangar and engineering facilities for planes from the UK and northern Europe if a year-round tarmac runway could be laid down.

Only 16 UK merchant ships still idle

BY WILLIAM HALL, SHIPPING CORRESPONDENT

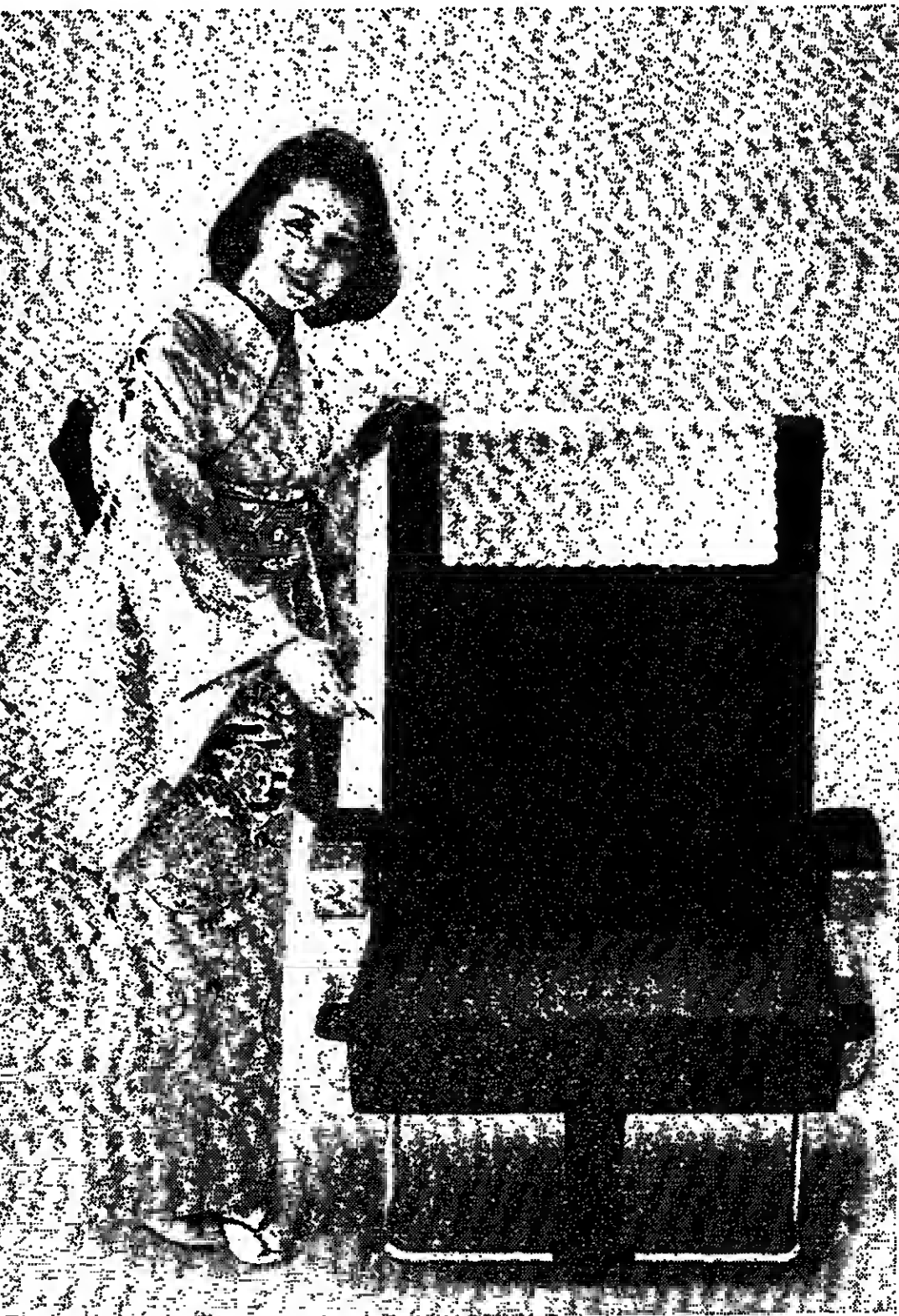
LESS UK merchant shipping was laid up at the end of January than at any time since May 1973 while the size of the world merchant fleet idle is also at its lowest level.

The latest figures from the General Council of British Shipping, GCBS, indicate that only 16 British ships, 1.47m dwt, were idle, and nine of these,

1.38m dwt, were tankers.

Five of the ships are very large crude carriers which belong to BP and have been laid up in Brunei Bay since mid-1978. Because of these five ships, the UK still has more tonnage laid up than any other country in the world, apart from Liberia. It has 23 ships — 2.4m dwt — laid up.

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Thursday	JL 424	dep 1420	arr 1710*
Saturday	JL 422	dep 1320	arr 1610*

*Next day.

NARITA-LONDON (via Anchorage)			
Monday	JL 421	dep 2230	arr 0620*
Tuesday	JL 423	dep 2130	arr 0520*
Wednesday	JL 423	dep 2230	arr 0620*
Friday	JL 421	dep 2230	arr 0640*
Saturday	JL 421	dep 2230	arr 0620*

*Next day.



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UK NEWS

Code of conduct for Prestel system

BY JOHN LLOYD

A CODE of conduct has been agreed among the organisations which provide information to the Post Office Prestel system, and will be published shortly. The code includes the appointment of a complaints committee drawn from members of the Association of Viewdata Information Providers. The committee would have a roughly similar function to the Press Council. It would take up complaints, publish judgments and could, in an extremity, expel a delinquent member from the association.

The publication of the code of conduct follows, though it was not stimulated by the recent controversy over the publication of the Prestel system of a guide to pornography. The guide, published by one of the major information providers, Mills and Allen, caused concern to some MPs, Mrs. Mary White-

house and Sir William Barlow, Post Office chairman. Mills and Allen has now suspended the guide. The company has done so because one of the bookshops mentioned as a source for pornographic material has been raided by the police, and may be the subject of legal action. No plans have been made for republication of the guide. The company says that it has received no complaints about the guide and had no representations to delete it from the Post Office.

However, the Post Office is keen to have the complaints committee clearly constituted and seen to be a strong and responsible body. It is anxious to make it clear that individual information providers are the publishers of data on Prestel, and that the Post Office is merely its carrier.

The code of conduct's major provisions will concern advertising and relations between the information providers. The association does not want to have a statutory or Post Office committee overseeing its operations. Thus it wants a strong and independent self-policing body from the outset.

Most information providers feel the publication of the pornography guide was unfortunate, but agree that it appeared to be wholly legal and a matter for the publisher. Some saw Sir William Barlow's expression of concern last week as a potential breach of the corporation's stated policy of non-intervention in editorial matters. However, it is now recognised that the Post Office did not put pressure on Mills and Allen, and thus the principle remains intact.

NEWS ANALYSIS—MICHAEL DONNE EXPLAINS THE DECLINE OF BRITISH CARGO AIRLINES

Small operators lose work to the big jets

THE decision of British Cargo Airlines to ask National Westminster Bank to appoint a receiver and manager stems not only from the airline's heavy losses in the first six months of the current financial year, but also from the likelihood that difficulties will continue.

It is a blow to the whole independent sector of UK civil air transport. Whether British Cargo Airlines can continue to operate, in a smaller form must depend upon the results of the detailed study of the business now being conducted by the receiver, Mr. Alfred Davis, of Stoy Hayward and Co.

But it follows several months of difficulties, during which British Cargo Airlines has had to lay off more and more staff—the latest 94 redundancies were announced only last Friday—and to sell some of its ageing and surplus fleet of seven turbo-propeller CL-44s, while retaining the six DC-8 jets.

It has been a rapid decline. Only last year, IAS Cargo Airlines, founded 10 years ago by

Mr. Alan Stocks, who is still chairman and managing director, felt strong enough to amalgamate with Transmeridian Air Cargo, to form British Cargo Airlines as the biggest independent all-cargo operator in Western Europe.

IAS itself had operated at a profit through most of the 1970s. It began with a pre-tax profit of £15,000 in 1970-71, lost £25,000 in 1971-72, but thereafter earned increasing profits, up to £1.3m in 1978-79 on a turnover of more than £28m.

The company's financial problems began in the latter part of last year, when the soaring price of fuel, to the wake of the Iranian crisis, began to bite deeply into the world air transport industry.

As a result, for the first six months of its 1979-80 financial year, to end September, British Cargo Airlines lost £505,000, on a turnover of nearly £15.8m. As a result of recent redundancies, staff has fallen from about 700 to a present level of about 400. British Cargo Airlines' own

fuel costs, according to Mr. Stocks, last year soared to reach over 50 per cent of total operating costs. There were also some supply problems at some places. But the airline attributes its decline to several other factors. One is a contraction in the market for all-cargo operations, in the wake of an economic downturn itself stemming from soaring fuel costs.

It is also suggested that there has been an increase in price competition, with freight handling agents shopping around, even overseas, for the cheapest rates, a move which British Cargo Airlines has described as a bid to achieve "short-term and short-sighted economies." The UK independent operators have thus lost business to foreign competitors.

But it seems that the most powerful factor behind the declining fortunes of British Cargo Airlines—and one which is not making life easy for the few other remaining independent cargo operators at home and abroad—is the fundamental swing in the market away from

them to the big scheduled airlines.

The latter, with large and growing fleets of wide-bodied passenger jets, such as Boeing 747s, Lockheed TriStars, and McDonnell Douglas DC-10s on long-haul routes, and now A-300 Airbus on short-to-medium range routes, can offer substantial cargo space in the under-floor holds of these aircraft, enough for large containers.

Because nearly every major city in the world is served by wide-bodied passenger jets of one kind or another, and because most scheduled airlines have such aircraft in their fleets, there is now a vast network of such scheduled cargo operations world-wide.

Moreover, because the passenger loads virtually pay for this space, the cargo can be carried at rates the independent operators cannot match.

At the same time, the scheduled passenger airlines have also moved into the all-cargo field with their wide-bodied jets. Most scheduled lines have some types of all-

cargo aircraft, and are buying more—British Airways, for example, takes delivery this autumn of its first 747 all-cargo aircraft.

These all-cargo operations by scheduled airlines have mopped up much of whatever freight is left over from their own cargo operations with passenger jets, leaving little for the independents. There are now few independent all-cargo airlines.

In the U.S., there are two big ones, Flying Tiger and Seaboard, and several smaller operators. In the UK, unless British Cargo Airlines is kept in being by the receiver, there will effectively now be only Trade Winds, Airbridge Carriers, Skyways Aviation, Invicta, Redcoat Air Cargo, and a new operator, TAC Heavy Lift.

But according to the International Civil Aviation Organisation, the world's scheduled airlines last year carried 7 per cent more cargo than in 1978. Thus, the cargo is there to be won, but the independents are having to fight for every morsel.

More homeless housed by local authorities

BY ROBIN PAULEY

LOCAL AUTHORITIES housed 28,000 homeless families in the first half of last year compared with 26,700 in the second half of 1978. Inner London handled the highest number, according to an Environment Department analysis.

The number of homeless families—some of which might be single people—accepted for housing in London was 7,900 in the first half of 1979 compared with 7,400 in the second half of 1978.

The ratio of acceptances of

homeless families was also highest in London at about 3.0 per 1,000 households compared with 2.0 in the metropolitan districts and 1.4 in the non-metropolitan districts.

The highest figures are in five London boroughs led by Camden with 7.3 acceptances per 1,000, followed by Tower Hamlets (6.7), Islington (5.8), Wandsworth (5.5) and Hammersmith (5.2).

The highest figures outside London were in Birmingham (5.4 families homeless per

1,000), Adur, West Sussex (4.9), Hartlepool (4.7) and Cberwell, Oxfordshire (4.6).

For 42 per cent of the families accepted in the first half of 1979, the first accommodation secured was an ordinary council dwelling, a slight increase from 39 per cent in the second half of 1978.

The proportion of families initially admitted to bed-and-breakfast accommodation was 31 per cent in London and 11 per cent in the rest of the country.

The proportion of homeless families with dependent children fell from 66 per cent in the second half of 1978 to 66 per cent in the first half of 1979.

About 40 per cent of families accepted by the local authorities had been living with parents, relatives or friends before becoming homeless, 15 per cent had been in private rented accommodation, 13 per cent had been council tenants and 12 per cent owner occupiers.

Shipbuilder answers critics

By Ray Peman,

Scottish Correspondent

THE CHAIRMAN of Yarrow Shipbuilders, Mr. Robert Easton, yesterday answered criticism made last week of frigates built by the yard for the Royal Navy.

Speaking at the Glasgow launching of HMS Brazen, the fourth of the Type 23 frigates to be completed, he said that those who continued to knock the shipbuilding industry did Britain no favours.

Yarrow

The design of the Type 23s was criticised by a group of MPs last week because the ship was found to be too cramped to accept modern missile armaments, but ships of the class, now under construction, have been enlarged.

HMS Brazen, launched by Mrs. Francis Pym, wife of the Defence Secretary, is an anti-submarine vessel armed with torpedoes and guided missiles. She is powered by Rolls-Royce Olympus and Tyne engines.

Yarrow has an order book for naval vessels worth a total of £350m. This includes four support ships, one being built, which were ordered by Iran while the Shah was still in power. It is not yet clear whether Iran's revolutionary government will accept them.

Hidden economy not as black as it is painted, claims report

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE HIDDEN or black economy has grown less than has been suggested, according to a special article in *Economic Trends*, the monthly journal of the Central Statistical Office.

The study acknowledges growth in the last 20 years, but supports the view that the hidden economy is much smaller than some anecdotal evidence has implied. It indicates that although it has grown in the 1970s in relation to Gross Domestic Product, the increase is relatively small.

Mr. Kenneth Macrae of the Central Statistical Office, suggests that the hidden economy is equivalent to at least 34 per cent of Gross Domestic Product, but probably not much higher. In current prices this means more than £7bn.

This estimate is somewhat lower than that implied a year

ago by Sir William Pile, the former chairman of the Board of Inland Revenue, who said income not declared for tax purposes might amount to 74 per cent of Gross Domestic Product.

The article says that, given the uncertainties of making estimates, it is impossible to say that one view is right and the other wrong. This partly reflects a difference of approach between looking for missing factor income within the national accounts and looking for missing tax revenue.

The hidden economy is defined as income hidden from official statistics, such as income undeclared for tax purposes and pay in the form of perks rather than cash. The undeclared

income of moonlighters and the self-employed is probably the most important component and an estimate to cover this is included in the official figures of Gross Domestic Product.

Company perks and generous expense allowances often play an important part in attracting and retaining staff. At the other end of the scale, there is employee fraud and outright criminal activity, ranging from the unauthorised use of office telephones for private calls to company frauds and bank robberies.

The problems of measuring some of these activities can be immense, although the Central Statistical Office believes that if outright crime is ignored the total value of income arising in these ways is unremarkable and not likely to be growing fast enough to warrant special steps to measure it.

Legal and General home insurance up

BY ERIC SHORT

ANOTHER major insurance company, Legal and General Assurance Society, has increased its household buildings rate by 20 per cent. Starting this month, the basic rate has been lifted from £1.25 to £1.50 for each £1,000 of insurance.

Mr. Brian Palmer, the society's assistant general man-

ager, said the rate had remained unchanged for over 50 years. The increase had been brought about by an increase in the number and value of claims and a doubling of rebuilding costs in five years.

About 150,000 householders insured directly with Legal and General, and an indeterminate

number insured through building society block insurances, will be affected by the increase. The company is giving most policyholders the option of continuing to pay the old rate providing they agree to pay the first £50 of any claim, other than for fire or property owners' liability.

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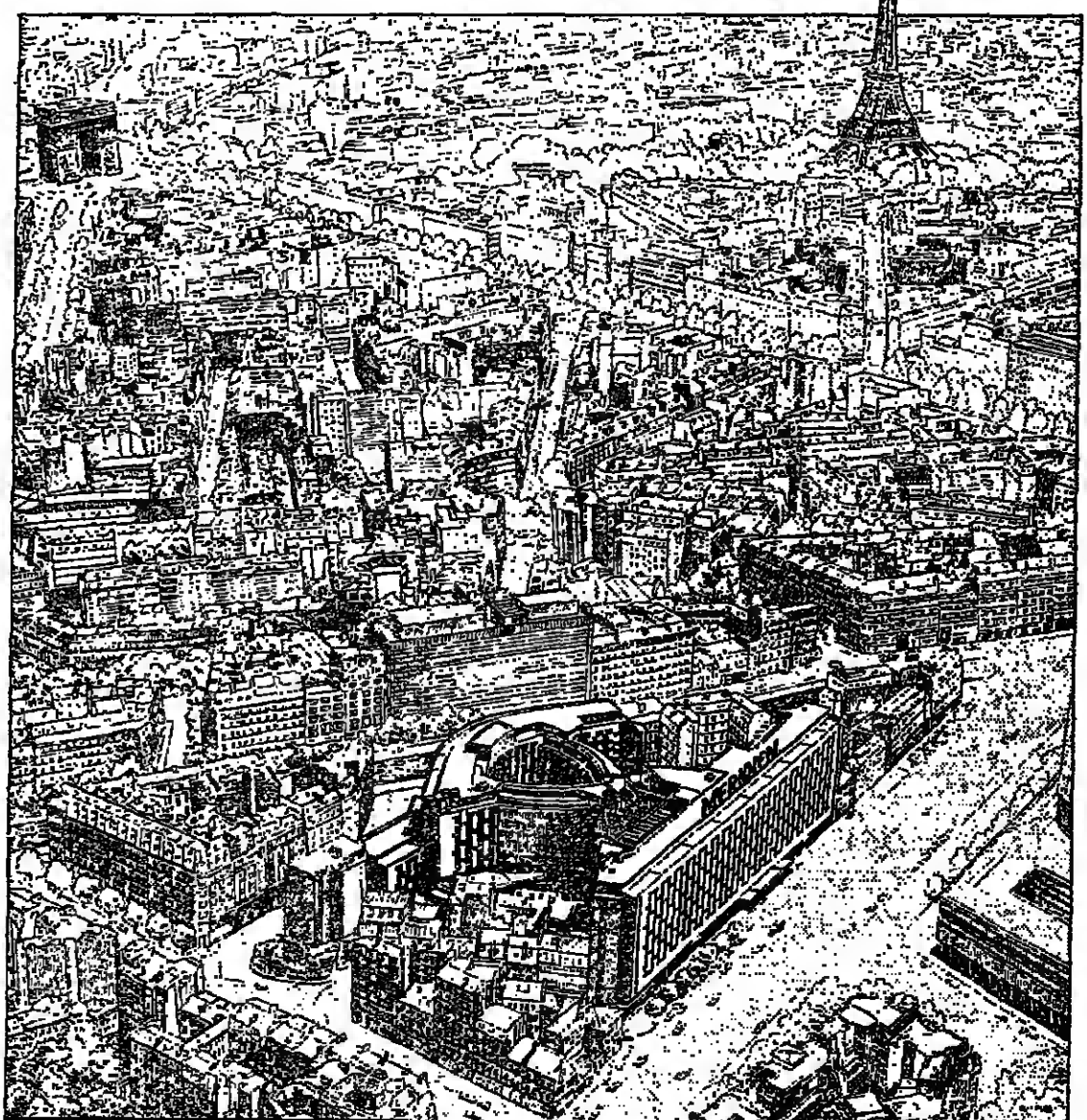
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UK NEWS—LABOUR

Change in style at Longbridge

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

THE ELECTION of Mr. Jack Adams as convenor at Longbridge, BL Cars' biggest plant, with 18,000 workers, could mark a change in style rather than substance, following the controversial dismissal of Mr. Derek Robinson.

Like Mr. Robinson, Mr. Adams is an active member of the Communist Party. The two men, though from different trade unions, have become close colleagues over recent years, standing together on all key issues.

Mr. Adams, as a leading officer of the unofficial BL Cars shop stewards combine, was one of the signatories to the document that provoked the company to sack Mr. Robinson. But unlike Mr. Robinson, who is a member of the Amalgamated Union of Engineering Workers, Mr. Adams can point out that his general secretary, Mr. Moss Evans, of the Transport and General Workers' Union has supported the document and its opposition to the company's rationalisation plan.

Mr. Adams was cautioned rather than dismissed and says he has not been intimidated.

Mr. Adams, who, at 45, has emerged as one of the top union men at Longbridge in the past three years, still has to acquire the authority achieved by his predecessor.

He joined Longbridge as an upholsterer 24 years ago, and quickly became a shop steward. But unlike Mr. Robinson, who was influenced by Mr. Dick Etheridge, the Communist convenor at Longbridge for some 30 years, Mr. Adams was a fairly late recruit to the Communist Party.

He says he switched from the Labour Party some six years ago. "There was no sudden flash of light. It was more the accumulation of many years of disillusionment."

"I think workers should have a feeling that the industry in which they work is theirs and that they can have some control and influence. There is very little industrial democracy in this country, and the idea of worker-participation at Leyland is already dead."

His leadership qualities are likely to be put to the test over the next few months when at Longbridge the management must implement new work practices quickly—ready for production of the Mini Metro to be launched in October.

Mr. Adams says that any attempt by the company to implement the deal without first negotiating an agreement with the union leaders would lead to shop-floor resistance.

BL seeks new work attitudes

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

IN ITS 92-page pay deal now on offer, BL is seeking changes in attitudes to work that have become entrenched within the company over two decades and are also prevalent throughout many sectors of British industry.

BL's problem is the greater, as it is an amalgamation of some 36 factories, each with differing histories and labour relations practices.

Mr. Geoff Armstrong, BL Cars' employee relations director, said the offer document runs to 92 pages largely because of the need "to sweep up the residue of the past."

The management wants to standardise payment systems and work practices throughout the company.

Mr. Grenville Hawley, national automotive secretary of the Transport and General Workers' Union, dismisses the document, however, as "a rag-bag of everything the unions have negotiated and rejected over the past 10 years."

The gulf between the two sides remains as wide as when negotiations opened more than four months ago, with the unions totally opposed to the company's demands for fundamental changes in working practices.

The arguments are complex, and simplification difficult, but controversy centres in the main upon four issues: mutuality, teamwork, flexibility and mobility.

MUTUALITY—This is the ability of shop stewards to haggle about work content and effectively control manning levels and the speed of the job.

The company insists that industrial engineers—popularly known as time-and-motion men—should have free access at all times to investigate working methods and to ensure production is carried out in the most efficient way. The aim is to standardise working methods and raise the performance of the largely untrained staff of the most efficient, and Mr. Armstrong is determined that shop stewards should not have the power of veto.

He says that at Leyland Vehicles—BL's truck and bus company—the restrictive element of mutuality was removed in 1974. "Workers there are no longer afraid of the industrial engineers. Employees realise they can be a help in raising efficiency and improving working methods."

TEAMWORK: This concept is already practised in a number of factories, but will be crucial to the successful launch of the Mini Metro, soon to be introduced at Longbridge.

The £275m investment in the Metro has involved the building of highly-automated assembly lines, where robots will carry out the most arduous and unpleasant tasks.

Workers, instead of being stationed at one position on the track engaged on a single repetitive operation such as fitting wheels, will perform in a team of perhaps 20 to 30 people. The aim is to enable workers to alternate between different jobs, and as a team, assume greater responsibility for their own section of production.

FLEXIBILITY: In order to reduce breakdowns and ensure a more efficient maintenance service, the company wants to cut down the demarcation between trades. At present, for example, before an electrician can rectify a simple fault on a machine tool, he might have to call in a pipefitter to dismantle the hydraulics and a tool fitter and millwright to remove other parts. The company says the amalgamation of related trades would not reduce the demand for skilled workers, who are already in short supply.

MOBILITY: The company wants the freedom to switch workers quickly from one job to another, both to ensure continuity of production and to avoid potential disputes in the introduction of new machinery or models.

Currently, high absenteeism on a particular morning could prevent the start up of an assembly track. Management would have to negotiate with both shop stewards on the track to accept labour from another area and with the men required to move. The track and the workers remain idle, while such negotiations proceed.

Other changes required by management include more flexible shift working and a reduction in overtime. The company has appealed for an end to restrictive practices on overtime, such as the "one in, all in" rule applied by many shop stewards.

Union negotiators, while supporting the need for productivity improvements, maintain that the freedoms sought by the management in its document are far too sweeping and would undermine shop steward organisation within BL factories.

'More time to do less'

BL CARS workers spend more time at the factory but do less work than Continental competitors, according to a joint study undertaken by management and the trade unions.

The study was made two years ago, but management points out that BL's relative position has subsequently deteriorated.

The study, which looked at Renault, Simca and Volkswagen, found that continental plants were productive for 67 to 75 per cent of the time during a 40-hour week. By contrast, BL factories were productive for only about 45 to 55 per cent of the time.

Among reasons for the difference were:

- More non-productive time is needed at BL to overcome breakdowns and problems caused by old plant and machinery.
- Time allotted by Leyland for particular tasks is invariably exceeded. Factors here are late starting and early finishing, materials shortages, work-to-rules, and go-slows.
- Too many disputes and damaging after-effects, including delays to new model launches.
- Varying and more generous time standards set for the performance of operations.

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

OFFSHORE INDUSTRIES

Getting into deep water

AN UNMANNED underwater inspection vehicle and a new diving pack are being shown at the Oceanology International Exhibition, Brighton, which remains open until March 7.

Seapup is powered by a 1.5 hp electric motor which drives four controllable pitch propellers to give a maximum thrust at full ahead of 80 lbs which produces a speed of at least three knots, depending on the type, diameter and length of cable deployed.

A remote reading Sestrel compass and Sonardyne depth meter with digital readout are also fitted as standard, while space payload and spare multiple circuits are available for operating other equipment, such as navigational responder, pinger dropping system, still or movie cameras and flash units, and an altitude echo sounder.

Feature of the vehicle is the high speed-to-power ratio says Underwater and Marine Equipment, 18 Farnborough Road, Farnborough, Hants (Farnborough 45954).

Developed for professional deep sea diving is Deep Dive

500, said to be the first British self-contained rebreathing system designed to conserve the helium gas used in the breathing mixtures necessitated by the operational depths of saturation diving.

In this application, it saves 70 to 80 per cent of the breathing and ventilation gas normally supplied to the diver, compared with open circuit systems in equivalent operations, says Normalair - Garrett, Yeovil, Somerset (0835 5181).

This saving is achieved by recirculating the diver's breathing gas. Expired gas passes through a scrubber, where the carbon dioxide is absorbed, and then to a sensor which operates an electronic control to replenish the oxygen level automatically.

Normally, the umbilical supply is used to make up system losses that occur, for example, with changes in depth, thus eliminating dive termination due to lack of diluent. Should the umbilical fail, Deep Dive 500 can function as a self-contained life support system.

DATA PROCESSING

World-wide financial negotiations speeded

CAPITAL issue operations involving \$35m by the UK's Co-operative Bank used a computerised telex operation to transmit messages to more than 450 financial institutions throughout the world in only one-twentieth of the normal time.

Issue work was managed by London and Continental Bankers, who entrusted the telex operation to Lydiastar of Hatton Garden, ECI.

The initial phase took place over a weekend in early December when the original offers to subscribe to the issue were telexed around the world in a ten hour operation. The manual method of telexing on one machine would have taken

11,000 minutes and would have meant that the last recipients of the message would have been informed over a week later than the first.

Lydiastar's unique system is a combination of an IIT ADX 6100 message switcher, using 20 telex lines, and a powerful word and data processing system, a Jacquard J100 Videocomputer with special software developed jointly with Hallmark Computers.

Financial institutions' names, telex numbers and personal details are first stored in a database in the Jacquard. Personalised telexes, with a standard text merged with variables, are then produced by the computer and fed into the message-

switcher for transmission. Details in each telex can be altered depending on the amount of capital each institution is being invited to subscribe for.

After London and Continental Bankers had received telexed applications, a second phase began with telexes being transmitted to applying banks, accepting their offer for varying amounts. Again each telex was individualised as required.

Following confirmation from the subscribing institutions that they wished to proceed, a third round of telexes was issued through Lydiastar by London and Continental to confirm acceptances. Finally the computer was used to produce

address labels to enable the full issue documentation to be mailed to more than 100 banks who had subscribed for the issue.

Lydiastar and Hallmark Computers are now developing a complete package for merchant banks to enable them to set up the same computerised telex facilities in-house, including the software system, IIT 6100 message switcher and Jacquard J100 Videocomputer. Similar systems are also being developed for use by transport and travel companies needing to inform agents of up-dates on prices and services.

Lydiastar is at 84, Hatton Garden, London, ECI. 01-405 7059.

PRINTING

Contributes to better colour

PRODUCING quality newspapers and commercial printing on the same equipment can be achieved through ultra violet drying, pioneered in Europe at Swales Press in Widnes.

A Wallace Knight UV drying system was installed in December on a six unit Harris 845 press and is now in operation.

An investigation in early 1975 led Swales to believe that a market existed for high quality newspaper in full colour. The Harris press in December 1975, a machine capable of producing a 48 page tabloid with 16 pages in full colour in one pass. At that time the press was cold-set and it was realised that some form of drying would be required.

There is a market for better quality newspaper with good colour ads that have high resistance. Running cold, however, web offset newspaper production is subject to problems with marking. It is also limited to lower film weights on a restricted range of substrates. Ultra violet was the logical choice for several reasons, not



least of all, space. The dryers had to fit in only 24 inches between units. The webs pass through the first four printing stations for process colour and the last two for black and spot colour. The initial installation is between units 4 and 5 to dry full process colour at 1,300 ft/min. and it is planned to extend the system to the last two units later in the year.

The system comprises eight lamps, four each side of the web, designed for 300 watts/linear inch although usual running is at 250 watts/linear inch.

Capital cost was considerably less than that of gas which, in any case, could not have been incorporated into the press without major modifications.

Wallace Knight, 515 Ipswich Road, Tring, Herts, Slough, Berks. 0753 28151.

New packages from Geest

THREE TEXAS Instruments based products are the first hardware to be announced by the newly-formed Geest Micro Systems division of Geest Computer Services.

To complement the new systems, which are known respectively as the G-3, G-4 and G-5, the company has announced its first applications packages for part-time and small to medium-sized users.

The new applications packages are an integrated suite of financial and accounting packages, including stock recording for small to medium-sized retail and wholesale users, plus a comprehensive set of packages for civil and structural engineers.

Priced from around £3,500, the equipment is easy to use

and has as standard "conversational" capability which is particularly useful for small retailers and wholesalers in many industries where stock control is essential, and for engineering consultancies requiring immediate solutions. The systems can operate in stand-alone form as small business systems or via communications links to other Geest systems in a distributed processing system or to a large host computer.

All the systems use a 64K RAM processor and provide floppy disc storage; the larger G-5 also provides hard disc storage up to 200 Mbytes capacity for more extensive applications. The largest systems offer multi-tasking so that more than

one job may be handled at the same time. They can be interrogated by a number of visual display terminals. The systems all offer the basic language and the larger ones Fortran and Pascal.

Integrated accounting and financial packages include purchase, nominal and sales ledger, plus payroll. A stock recording package is also being offered for small to medium-sized retailers and wholesalers.

The new library of engineering packages for civil and structural engineers will comprise some 15 packages with others already planned.

Geest Computer Services, White House Chambers, Spalding, Lincs, PE11 2AL. 0775 61111.

VENTILATION

Bad odours removed

OFFERED To solve problems where rooms and offices do not have air-conditioning is an air-ionisation unit developed by Bentax of Switzerland and available in the UK from the company at Merit House, Edgeware Road, Colindale, London NW9 (01-200 6842).

Known as the Bentax model BK-300, the unit also neutralises food and cooking smells; reduces the airborne dust likely to be inhaled and decontaminates and deodorises the air, says the maker. Risks of infection in doctors' waiting rooms, shops and restaurants are also reduced.

SECURITY

Protecting computers

SPECIALISTS IN computer security IMACS (Security) have been looking at operations in insurance companies, with regard to the vulnerability of large computer installations.

Findings include frequent inadequate protection and under-insurance against disasters.

On this basis, comprehensive sets of literature to be issued as notes, guides and checklists to delegates have been prepared for a conference in April.

They cover: reasons why disasters occur; levels of disaster costing; personnel in data processing disasters; protection against computer fraud and range of other related topics.

Most companies appear to be over-protected against fire and flood, but a survey of computer disasters by the Stamford Research Institute, carried out in 1978, showed that this kind of hazard was the cause of only 4 per cent of 335 cases that were studied. On the other hand, over 90 per cent were the result of malicious damage.

Top of the list in terms of statistical frequency and scale of damage is the lack of control over the manual handling of inputs and outputs. Fraud comes

sixth, but it is estimated that fraud is a threat that is growing at a rate of 400 per cent a year. The FBI has recently declared in the US that only about 9 per cent of computer frauds are actually made public, either because they are too difficult to detect or because, once detected, the victims of the fraud find it advisable from a commercial viewpoint to keep the experience secret.

Costings carried out by IMACS tend to prove each time that companies are insuring only 50 per cent of what would be the real costs of a disaster. In the event of a partial disaster insurance companies only pay pro rata to the level of cover, even if the total insured figure is more than the damage sustained. Half cover will mean half reimbursement for the level of damage.

Based on a large computer system of the IBM 370 or DEC System 10 type, replacement of a computer department after a total disaster could take from five to seven months of stand-by operation, and cost close to £3m.

IMACS (Security), Southfield House, 11 Liverpool Gardens, Worthing, West Sussex, BN11 1BR. Telephone: 0903-209652.

PROCESSING

Produces gas and fodder

CERTAIN TYPES of agricultural waste (i.e. cattle manure) can be transformed into methane gas and fodder with a process developed in Israel, says Kibbutz Industries Federation, 8 Shaul Hamalech Street, Tel Aviv.

Apart from methane gas, the system yields a high quality slurry which is currently being used as a food supplement in fish farming and cattle fodder, able to replace 50 per cent of the expensive fishmeal and 24 per cent of conventional cattle fodder.

Bacterial and viral characteristics of the slurry have been examined at all stages and, says the Federation, it is decisively ascertained that there is no danger either to the fish and livestock or the meat for human consumption since the pathogenic influences have been destroyed or reduced below any possible danger levels.

Slurry can also be used as an improved fertiliser since, in addition to having lost most of its objectionable odour—it is in a homogeneous form, making distribution simple and efficacious.

Possibility of deriving various industrial products from the slurry, and of utilising other

kinds of agricultural waste, are being examined.

At Kfar Giladi, Israel, a 200 cubic metre system is in operation. Based on the manure of 600 head of cattle, this produces enough energy to meet the needs of a community of 700 people (including home industries and services). This does not, however, include mobile equipment such as cars or tractors.

Minimum size for the system, which includes equipment for moving the manure and the digester system, is 150 head of cattle. Installation is based on 500 cows and will cost about US\$200,000, according to the buyer's specifications. Costs are reduced due to the fact that in contrast to other systems, the process does not call for the addition of water to the waste thus allowing for smaller containers.

Cost of the methane gas is said to be equal to that of industrial fuel oil, while the fodder and fertiliser represent clear profit.

The Federation announces that the U.S. Department of Energy has shown an interest in getting a demonstration plant, and inquiries about the system have been received from France, Spain and Italy.

INSTRUMENTS

New design of recorder

A LONG acknowledged difficulty with the traditional methods of waveform recording on paper is that the deflection components—galvanometer mirrors for example—have mass and are frequency limited. They also often have a deflection error due to the different path lengths to the paper.

Both of these shortcomings are removed in a new design of recorder from Bell and Howell, the HR2000.

Light source in this machine is an ultraviolet lamp at the focus of a concave mirror, the two producing a line of light across a dimension equal to the width of the paper. This "sheet" of light passes through, in sequence, a horizontal polarising filter, a special segmented gate and finally a vertical polarising filter.

Since the two filters are opposed no light normally passes through the system. However, the gate consists of a very finely spaced comb of elements made from a crystalline material able to rotate the plane of polarisation when a voltage is applied to it.

When any one of these is energised its effect is to shift the polarisation plane at that point along the comb, effectively allowing light to pass through the second filter. A spot of light falls on the paper behind, having been focused by a cylindrical lens.

The filter comb elements are

spaced at 80 to the inch and they can be switched at high speed, allowing linear high frequency traces to be recorded on the paper.

Incoming analogue signals are sent to a voltage-to-time converter. This circuit impresses the data on a ramp voltage which assigns the signal to a specific gate—in fact a sequence of gates—in accordance with the original amplitude to time relationship. The final result is a trace recording of the original data waveform.

An "extremely high" order of linearity is claimed by the company, even when the trace is over the full 12-inch paper width. Transient and step function data is faithfully reproduced via wideband electronics and the sine wave response is from DC to 5kHz.

A universal paper transport design allows the use of any standard size of paper roll up to 12 ins wide and three inches in diameter across which up to 28 channels can be accommodated. But smaller widths may be used for economy.

Operational facilities include interval timing and trace identification, automatic record length, coarse/fine grid line selection and continuous paper speed selection from 0.01 to 126 ins/sec. Bell and Howell, Electronics and Instruments Division, Lennox Road, Basingstoke, Hants RG22 4AW (0256 20244).



Glenfiddich in Gaelic means Valley of the Deer



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UK NEWS

JAMES McDONALD LOOKS AT RECENT SUCCESSES IN THE WAR AGAINST CRIME

Lonrho fails in plea for documents

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

LONRHO has suffered another setback in its £100m legal battle over alleged Rhodesian sanctions-busting by multinational oil companies.

A High Court judge yesterday upheld a claim that documents produced by Shell and BP for the Bingham inquiry are covered by Crown privilege and cannot be made public.

Lonrho, which says the documents are crucial to its case, will challenge the ruling in the Court of Appeal next Monday.

Mr. Justice Robert Goff said the documents had only come into existence because of the Bingham inquiry and BP had been given assurances of confidentiality to encourage co-operation.

Such assurances were understandable when an investigation might impinge on areas of great sensitivity. It was in the public interest that they should be given, and, one given, that they should be honoured.

If they were not, the kind of co-operation given by Shell and BP might not be forthcoming in future inquiries.

The court had said immunity from disclosure should not be given merely to encourage candour. At the present case went far beyond that. The information contained in the documents had not merely been given in confidence but was of a kind necessary to enable Mr. Tom Bingham, QC, to perform

his important public function to the fullest extent.

It would not have been forthcoming if Shell and BP had not received assurances of confidentiality, said the judge.

The public interest in maintaining confidentiality outweighed the public interest that all material documents should be before the court in civil proceedings.

Lonrho's application for disclosure of the documents was dismissed with costs.

Last month the Appeal Court upheld Mr. Justice Robert Goff's rejection of Lonrho's claim that Shell and BP should be compelled to disclose documents belonging to their subsidiaries in Rhodesia and South Africa.

Lonrho's appeal against that ruling is to be heard by the House of Lords on April 21.

Lonrho's claim against Shell and BP is to be arbitrated in June. Its action against 27 other oil companies has yet to come to court.

The action arises out of alleged breaches by the oil companies of a 1982 agreement, under which oil for Rhodesia was to be channelled through a Lonrho pipeline.

Lonrho also alleges a conspiracy between the oil companies and the illegal Rhodesian regime to ensure the success of UDI by the continued supply of oil by means other than the Lonrho pipeline. The oil companies deny the allegations.

Call for cut in wine tax

By Gareth Griffiths

WINE merchants have told the Government that the tax on wine should be cut by 25p a bottle in the Budget to prevent sales falling alarmingly.

The Wine and Spirit Association warned yesterday that merchants face cash flow problems because of Government policies and lower demand for wine in the past six months.

Mr. Vincent Larvan, the association chairman, said the rise in wine duty of 33p per cent since February, 1974, was far ahead of the general rise in prices. The Excise taxes stood at "penal rates."

The association has again argued for a six-week deferment of duty for wine to bring it in line with beer, cider and tobacco. Mr. Larvan estimated the lack of deferment cost the trade about £160m a year, with a disproportionately high percentage falling in the last quarter of the financial year.

The association is worried by sales so far this year. The trend since last autumn has been of a steady decline in the rate of increase, and there is a strong possibility that sales could actually fall this year.

There is also concern at the high level of stocks merchants are carrying as a result of disappointing sales at Christmas.

THE Metropolitan Police is proud of the reduction last year in the number of attacks on security vans. In the London area attacks fell 20 per cent from 153 in 1978 to 122 last year. The amount of money stolen fell 42 per cent to £1.5m.

Success in combating this type of crime seems to have been repeated elsewhere in Britain, although the reduction is smaller because most attacks occur in the Metropolitan area. The British Security Industry Association with six members—Securicor, Group 4, Security Express, Mint Security, Armoured Guard and PPR Security—records on a different statistical basis a countrywide drop in attacks last year of 14, from 168 in 1978 to 154 in 1979.

Mr. John Wheeler, MP, director-general of the association, says that nationally money stolen dropped from £2.6m last year to £1.5m (after recoveries of £370,000) in 1979 to £2.3m net (after recoveries of £500,000) last year.

To the public £2.3m still seems to represent a considerable criminal achievement. But the security companies say it represents an extremely small proportion of the total cash carried by their 2,250 high security vehicles. The total cash carried is estimated to be between £85m and £70m a year.

Securicor, much the largest of the companies, has paid tribute

Reduction in attacks on security vans

to police success — aided by the growing use of informants. The number of attacks on Securicor high-security vans dropped last year to 87 from 130 in 1978.

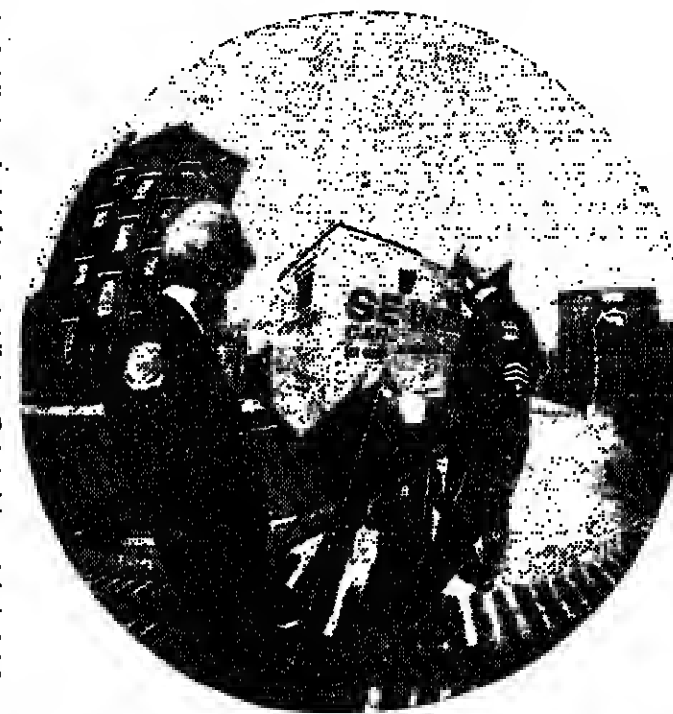
It is estimated by Securicor that its 1,600 armoured cash-carrying vehicles carried more than £45m last year. Much of this, the company said, is in a "grey" area — that is, money collected from banks and stored in vaults over the weekend and then returned. However, it is still cash-in-transit and, no, vulnerable.

Group 4, with its fleet of 300 high security vehicles, is more reluctant to estimate the volume of cash it carries but the company said "it must be many millions of pounds a day."

Group 4 experienced more attacks last year, but a larger number of these were unsuccessful. The total of 23, with six of them unsuccessful, compared with 15 in 1978—two of them unsuccessful.

Firearms are being used increasingly in attacks on vans. Another trend noted by Securicor is that, since limiting the amount carried in individual boxes, there has been a decline in "across-the-pavement" attacks. "They are going for the vans now," said the company.

The number of armoured van crewmen in the industry is less than 10,000. Securicor employs



Securicor guards delivering money by armoured van

between 4,000 and 5,000, although there is pick-up on escort duties.

Crewmen employ by the six member companies of the security association carry no offensive weapons. "We have never considered arming our men with firearms, nor

real use, and an embarrassment." Defensive weapons are not carried either. "We only equip our men with hard hats, protected at the base of the neck, and with goggles against ammonia sprays," says Securicor.

With the amount of money carried, the reliability of van crews is, of course, relevant. Mr. Wheeler has said that, in this country, a private security organisation does not have access to criminal records—nor does it seek it.

But, all association members have firm rules on screening prospective employees and each processing costs several hundred pounds. No lie-detector equipment is used. Mr. Wheeler describes the device as "no more than an expensive toy." But the employment record of any prospective employee is analysed for the previous 20 years, or back to school-leaving age. Any unexplained gap in employment is immediately suspect.

Ex-service personnel are popular with security organisations because of the availability of their service records. Unfortunately, supply does not meet demand. The organisations, with their other security operations including internal alarms and radio work, are also seeking men with technical training from REME and the Royal Signals.

International starts laser check-outs

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

TWO MAJOR supermarket chains have started a full-scale experiment with new laser scanning electronic check-outs.

International Stores, the BAT Industries' supermarket subsidiary, yesterday introduced the new check-out systems to its Folkestone superstore. This follows an experimental scheme launched last week by J. Sainsbury at its supermarket at Broadfield, on the outskirts of Crawley.

The first laser-scanning check-out system was launched last autumn by Marks & Spencer at its superstore in Spalding, Lincolnshire. Tesco and the other major supermarket groups are expected to launch their own systems shortly.

The new laser-scanning systems, already widely in use in the U.S. and Europe, use a low-power laser beam to read a special bar-code printed on each grocery product. The price is automatically retrieved from the central computer and shoppers are given a receipt listing the items bought.

According to a new survey published today by the Institute of Grocery Distribution,

retailers anticipate that the main benefit will be improved checkout administration. This includes extra information for totalling checkout takings and more detailed data on goods sold.

But, in the longer-term, retailers expect to make substantial cost savings from improved stock control, less employee and customer theft, and the availability of more marketing information of product sales.

Manufacturers, who have to print the special bar-code on each product—which represents a 18-digit identification number unique to each product—also support the introduction of the new technology. The institute's survey showed that some 60 per cent of manufacturers anticipate benefits in such areas as better movement of stocks, a reduction in salesmen's time in a store and the exchange with supermarkets of information on the volume of products sold.

* Survey of Point of Sale Systems, published by the Institute of Grocery Distribution, Letchmore Heath, Watford, price £45.

Fine Fare challenge with discounts on groceries

BY OUR CONSUMER AFFAIRS CORRESPONDENT

FINE FARE, the Associated British Foods supermarket subsidiary, yesterday fired another salvo in the High Street price war with the launch of a new range of low-price products.

The chain, which has already frozen the prices of 10 lines until Easter, is promoting 33 popular grocery products with discounts of 10 to 15 per cent. These items will be packaged in bright yellow materials.

Cheaper packaging or special

rates negotiated with manufacturers have enabled Fine Fare to offer the range.

Fine Fare has about 5 per cent of the packaged grocery market, compared with some 14 per cent for Tesco and 11 per cent for J. Sainsbury.

A similar "no frills" scheme has been successfully operated by International Stores under the brand name Plain and Simple.

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UK NEWS—PARLIAMENT and POLITICS

Gilmour rejects Rhodesia criticism

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

TORY right-wingers launched outspoken attacks on the Government's Rhodesia policy in the Commons yesterday when Sir Ian Gilmour, deputy Foreign Secretary, made a statement confirming Mr. Robert Mugabe's election victory.

But the criticisms were firmly rejected by Sir Ian who said that the exceptionally high turnout showed the confidence of the Rhodesian people in the conduct of the elections and the security of the votes.

Several Tory backbenchers disassociated themselves from the criticism and congratulated the Government on its handling of the situation.

The Government also received the firm endorsement of the Labour and Liberal spokesmen. In the Lords, a very cautious line was taken by Lord Carrington, Foreign Secretary, who warned against any premature celebration of the election result.

"Congratulations are only due when we see that the outcome of this has been a free and fair multi-racial society operating in peaceful conditions," he emphasised.

"I don't think success has been achieved until we see what happens in the new Zimbabwe." In the Commons the strongest backbench onslaught on Sir Ian came from Mr. Julian Amery (Con., Brighton Pavilion) who said that Mr. Mugabe's victory represented a major defeat for the West.

He said the election result brought Soviet influence to within a few hundred miles of the mineral resources of South Africa on which Western and Japanese industry depended. "To that extent, it is com-

parable to the danger posed by the Soviet takeover of Afghanistan," Mr. Amery declared.

He maintained that Mr. Mugabe's victory was due much to the systematic destruction of Bishop Muzorewa's authority by the British Government.

Thatcher avoids congratulations

THE PRIME MINISTER avoided offering congratulations yesterday to Mr. Mugabe on his election victory. She said it was usual to do that on the day of independence, but she wished the "whole of Zimbabwe" well in forming a government.

Later Sir Ian Gilmour agreed that it was normal to offer congratulations at the time of independence, but added: "Of course, we congratulate Mr. Mugabe on his victory."

His brief remark brought cheers of "cheer up" from the Labour benches.

"Isn't it time to embark on a total revision of British policy towards Central and Southern Africa?" he demanded.

There were some Tory cheers of support for Sir Ian when he said he totally disagreed with every part of Mr. Amery's question.

"To say that free and fair elections are a major defeat for the West is surely not a very Western attitude," said the deputy Foreign Secretary.

"I have no evidence at all that Mr. Mugabe is under the influence of the Soviet Union—quite the contrary."

There was no parallel whatever with Afghanistan and to say that the Government had systematically destroyed Bishop Muzorewa was totally unjustified and an absolute travesty of what had taken place in the election.

Mr. Ronald Bell (Con., Beaconsfield) said that real elections with universal suffrage in Africa were an illusion. He wondered whether the Foreign Office was still living in a dreamland about the late Jomo Kenyatta of Kenya at a time when it had just forged another myre or worse.

Sharply, Sir Ian replied that Mr. Bell who was refusing to face the facts. There had been overwhelming evidence that the elections were free and fair. The elections might have been an illusion to Mr. Bell, but they were a reality to everybody else.

Mr. Michael Brotherton (Con., Louth) complained that a victory for Marxists could hardly be described as favourable to the West. Bishop Muzorewa was entitled to feel a bitter and disillusioned man.

In view of the proximity to South Africa of a new Marxist state, Mr. Brotherton wanted to know what discussions the Government was having with the South African authorities with a view to protecting our interests, particularly about the Cape route.

Sir Ian told him: "I don't think it is a great asset to clear thought to tie labels on people or to states. We don't yet know the exact form of this Government. To believe it is a Marxist



Mr. Francis Pym, Defence Secretary, welcomes home the British monitoring force from Rhodesia

Government seems to be totally fallacious.

As to the protection of trade routes, he thought Mr. Brotherton should remember that Rhodesia was a land-locked country.

Dr. David Owen, the former Foreign Secretary, speaking from the Labour front bench, in the absence in Rhodesia of Mr. Peter Shore, wanted to know how long it would be before the British declaration of Rhodesian independence.

Sir Ian replied that he could not say exactly. This would depend upon the actions of Mr. Mugabe informing his Government.

Peers were told by the Foreign Secretary that he had already sent messages to the

neighbours of Rhodesia asking them for constructive help in the problems which face Zimbabwe.

"So far, the elections have been free and fair," said Lord Carrington. "But it would only be successful if the new Government uses the power it has for the benefit of all the people justly and wisely for a multi-racial society."

He had been greatly encouraged by statements made yesterday by Mr. Mugabe and if these policies were followed it would lead to the reconciliation which was so necessary for Rhodesia.

"Certainly, it will be the object of the Government to help in the transition period," he said.

Back-bench pressure on secret ballots

By Elinor Goodman

BACK BENCH pressure may force the Government to reconsider its decision not to make secret ballots of trade unionists compulsory under any circumstances.

Over 80 Conservative backbenchers have signed a motion urging the Government to make secret ballots compulsory when 15 per cent of trade union members say they want one.

Since members of the Government do not sign backbench motions, the number of signatures probably represent more than half those entitled to do so.

In the circumstances, the Government is almost bound to at least consider the proposal when it is finalising the proposed amendments to trade union immunities which will be introduced at the report stage of the Employment Bill.

Secret ballots have long been a central plank of Conservative Party trade union policy. Mrs. Thatcher has always been particularly keen on them. But to the disappointment of some Tory supporters—but inside and outside Westminster—the Employment Bill merely provides the funds for secret ballots and leaves it to the unions to decide whether they want to use them.

The steel union's refusal to hold a ballot of its members has infuriated some Tory MPs who believe that the steel strike would be over if there had been one.

This, together with the TUC's decision to advise its member unions against using secret ballots, has intensified pressure for them to be made compulsory in some circumstances.

The Employment Department has argued in the past, however, that such an approach would be thwarted with difficulties and open up a whole new bag of problems—most notably of enforcement.

Even so, some Ministers may well argue that the Government would be failing in its duty if it did not acknowledge the wish in the country for secret ballots to become the norm rather than the exception.

£9m study on schools technology

By Michael Dixon, Education Correspondent

MORE THAN £9m is to be spent by the Government over the next four years on further study and development of the use of microelectronics in schools.

Lady Young, Minister of State for Education, said in London yesterday that the money would not be used to buy either hardware or software for use in schools. Such purchases would be left to be funded from local education authorities' budgets.

The £9m would be devoted to furthering promising projects to test and develop the best ways of applying microelectronics in teaching subjects such as mathematics, sciences, design and general studies, and in training teachers to use new methods.

LABOUR

Yorkshire miners seek 40% wage increase

BY PHILIP BASSETT, LABOUR STAFF

MINERS in the Yorkshire area are supporting a claim which would increase minimum basic pay more than 40 per cent.

It is the first indication of this year's pay claim for the country's 260,000 miners.

The claim, approved by the Yorkshire area council of the National Union of Mineworkers, will form the basis of a pay resolution from the area to the union's annual conference at Eastbourne in the spring. The annual conference will formally set the national claim.

Last year Mr. Arthur Scargill, Yorkshire area NUM president, drew the union around the Yorkshire claim for increases of 30-35 per cent. The claim led to a 20 per cent settlement four

months ago after a pithead ballot rejecting a NUM executive recommendation to take industrial action.

The new Yorkshire claim, based on a resolution from the Shafston workshops branch of the NUM, was approved by the Yorkshire area council at a meeting in Barnsley on Monday.

It calls for the establishment of a £106 minimum rate, which is an increase of more than 43 per cent on the present minimum for surface workers of £73.65. That rate, part of December's deal, came into force on Saturday.

The claim includes a provision on differentials. Based on present levels this would mean

an increase for the top-grade face worker of more than 40 per cent. It would take their rate to more than £145 a week.

It also calls for the miners to return this year—rather than next—to their traditional settlement date of November 1.

The increase which came into force on Saturday is the second stage of the year's package and is meant to run until the end of December. Then another 10-month deal should be proposed to take the miners back to the November date in 1981.

Though the area claim is well in advance of the union's full claim nationally—let alone this year's settlement date—it is an indication of Yorkshire's determination.

Mass strike meeting boycotts steel ballot

BY PHILIP BASSETT, LABOUR STAFF

VOTING PAPERS for the British Steel Corporation's "ballot about a ballot" were collected by shop stewards from Sheffield area steelworkers at a mass meeting of strikers yesterday as part of a boycott of the corporation's attempt to gauge feeling on its 144 per cent pay offer.

Some ballot papers were dumped in local BSC management offices and there were reports that some of the collected papers had been burned by striking steelworkers.

Police reinforcements were called to BSC's rod products offices in the centre of Sheffield after several hundred strikers marched through the town from a mass meeting to deposit some of the collected ballot forms.

There were reports earlier of some steelworkers burning some of the collected voting papers on waste ground near

Sheffield's City Hall, where the meeting took place, though officials of the Iron and Steel Trades Confederation were later unable to confirm any incidents.

Papers were collected at the mass meeting from steelworkers who attended it and from local stewards who had been gathering papers in their own areas since members had received them at home.

The local ISCT strike committee and that of the Transport and General Workers' Union have both decided to gather ballot papers from members. In an effort to destroy the ballots' credibility.

Left-wing pamphlets circulating outside the meeting, which was called specifically to discuss the corporation's ballot attempt, urged steelworkers to destroy their papers.

Police contest Hadfields' compensation claim

BY MAURICE SAMUELSON

THE SOUTH Yorkshire Police Authority is to resist a claim by Hadfields, the Sheffield private steel company, for more than £5m in compensation arising from mass picketing by strikers and supporters outside the works.

Mr. George Moores, chairman of South Yorkshire County Police Committee, said that the £5m claim related to losses said to have been incurred through loss of production over six days.

Hadfields is suing under the 1886 Riot (Damages) Act, by which compensation can be sought for damage caused by people acting "riotously and tumultuously." The action follows mass picketing outside Hadfields' East Hecla works on February 14.

Mr. Moores said that the claim was not covered by the Act, as it did not relate to physical damage. "It was not accepted either that there was a riot situation on February 14 as is claimed by the firm."

Hadfields' solicitors, Rothmans of Nottingham, acknowledged yesterday help given by the police, but said that they had failed to contain what our clients consider to have been a riotous assembly.

The statement added: "Management, in the interests of the company and its work force, are bound to seek recompense wherever it may be found, and the Riot (Damages) Act, 1886, provides for claims to be made against the local police authority in the event of damage suffered by riot."

Lloyds staff told value of pay award

By Nick Garnett, Labour Staff

MANAGERIAL STAFF at Lloyds Bank will be told this morning the value of an arbitration award made last week after a claim from the bank's staff association.

The rises, backdated to July 1, range from a minimum of 3.2 per cent for staff on the lowest grade covered by the award to a minimum of 8 per cent for the highest grade of senior manager affected by the arbitration decision.

The staff association said about 2,800 staff would receive increases. Existing salaries for managers start at about £8,500, but salaries for managers in the top bracket covered by the award begin at almost double that level.

The settlement date for bank staff has been moved to April.

Builders reject 14% offer

By Our Labour Staff

THE executive of the Union of Construction Allied Trades and Technicians yesterday formally rejected the offer, made last week by construction employers.

The executive is understood to have decided that not only was the offer too low, increasing minimum earnings by 14 per cent, but that the productivity clauses attached to it were not acceptable.

The union plans to hold a delegate conference, probably next month, on the outcome of further pay negotiations due to resume next week.

The Transport and General Workers' Union said that indications from its regional construction committees were that the offer would be clearly rejected.

Pessimism on labour law talks

By Christian Ty, Labour Editor

TUC LEADER think that they have reached the end of the line in their discussions with Ministers of the Government's labour law reforms.

Talks at the Department of Employment yesterday could well be the last, all there are signs that a major campaign, perhaps on the style of the TUC opposition to the 1971 Industrial Relations Act, is developing.

The TUC General Council has already suggested that all affiliated unions raise the issue of public money for secret ballots proffered in the Employment Bill not going through Parliament.

After yesterday's talks, Mr. Harry Urwin, chairman of the TUC Employment Policy and Organisation Committee, said that unless the Government changed its mind completely there was "little point in further discussion."

Mr. James Prior, the Employment Secretary, said: "There is not really any agreement possible between us while they insist that everything must be voluntary, and we insist that there must be a voluntary system underpinned by law."

The first casualty of the stalemate is likely to be the TUC's own guidance to trade unions on dispute procedure, strike ballots, picketing, demonstration, and the closed shop.

Mr. Urwin said the Government's plans for curbing picketing, the closed shop, and now sympathetic strike action would become a major issue at the TUC Congress in September.

The Government will consider a code of practice advice to workers who refuse to join a closed shop that they could give notices to subscriptions to charity, Mr. Patrick Mayhew, Parliamentary Under-Secretary at the Department of Employment said yesterday.

Tory unease on high level of MLR

By Ivor Owen

UNEASE ON the Tory backbenches over the continuing high level of Minimum Lending Rate was again reflected in questions to the Prime Minister in the Commons yesterday.

The theme of the first Airey Neave memorial lecture which she delivered on Monday—the need to accept economic realities—was taken up by Mr. Geoffrey Rippon (Con., Hexham).

In a reference to replies made by other Ministers 24 hours earlier, he asked her to dispel the illusion that 17 per cent MLR helped to contain inflation and had little or no effect on the exchange rate.

Mrs. Thatcher assured Mr. Rippon "No one can be more anxious to get down the 17 per cent interest rate than I am." She went on to reiterate her view that the best way to reduce MLR was for the Government to take less of the supply of money into its own coffers, and to borrow less.

Mr. Kenneth Baker (Con., St. Marylebone) referred to Monday's three cent fall in the value of sterling against the dollar and congratulated the Prime Minister on having resisted earlier pressure for an increase in MLR.

He asked the Prime Minister to ensure that the Bank of England did not react to Monday's depreciation in sterling by increasing MLR.

Mrs. Thatcher acknowledged Monday's fall and agreed with Mr. Baker that it was never possible to have artificial restraint which resisted the market for long.

If inflation was to be brought down the most important thing was to control the money supply and this was the prime objective of Government policy.

Mr. Nicholas Baker (Con., Dorset North) urged the Prime Minister to dispel the illusion that the nation could afford to pay wages in the public sector which conformed with the rate of inflation.

Mrs. Thatcher answered: "I agree that none of us can automatically have pay indexed to inflation because the country has to earn its keep."

As for the public sector, she pointed out that the Government was still having "pick up the tab" for recommendations made by the Clegg Commission

Mugabe's victory 'not the ideal outcome'

BY PHILIP RAWSTORNE

AS MR. MOLOTOV said, the trouble with elections is that you can never be sure of the result.

Mr. Robert Mugabe's victory in Rhodesia yesterday was clearly not regarded as the ideal outcome on the Conservative benches.

Mrs. Margaret Thatcher continued to congratulate everyone involved except the winner. She never even mentioned his name.

Formal congratulations were usually reserved for Independence Day, she told the Labour MPs who pressed her for a word of welcome.

Lord Carrington, the Foreign Secretary, surveying the results of his handwork, suggested in the Lords that celebrations would be premature.

Right-wing Tory MPs were markedly less restrained in their reception—Mugabe Government was not what they had expected and definitely not what they wanted.

Mr. Julian Amery, a former Foreign Office Minister, called it "a major

defeat for the West comparable, in the danger it poses, to the Soviet takeover of Afghanistan."

The Government, he alleged, had done much to bring it about by its systematic destruction of Bishop Muzorewa's authority.

Sir Ian Gilmour, the Lord Privy Seal, was almost as derisive as Labour's laughter. To suggest that free and fair elections were a major defeat was surely not a very Western attitude, he replied.

To compare Mugabe's victory with events in Afghanistan was totally unjustified, he said, to a warm cheer from other Tory MPs.

Sir Ian more or less admitted that the results had not been entirely foreseen by the Foreign Office. "We have not ruled Rhodesia since 1921 so it is not very surprising that we are not very well aware of opinion there."

But the Deputy Foreign Secretary greeted the illusions of the Tory Right wing with some disdain.

Mr. Ronald Bell (Con., Beaconsfield), who accused

him of "forging another Nyereere or worse" was advised to face facts.

"The free and fair elections may have been an illusion to you but they were a reality to everyone else," Sir Ian said.

Mr. Michael Brotherton (Con., Louth), who called on him to safeguard the Cape trade routes against this new Marxist threat, was loftily reminded that Rhodesia was land-locked.

The wilder the charges against him, the more scornfully dismissive Sir Ian became.

Mr. Mugabe was not under Soviet influence—"quite the contrary," Sir Ian insisted. "He had made some encouraging statements about his intentions in government; he wished to join the Commonwealth."

Sir Ian at last was even moved to congratulate Mr. Mugabe on his victory.

Those who did not like the vote, would have to lump it, he indicated. "This is the unequivocal verdict of the Rhodesian people and that is that."

Indexing of MPs' pay ruled out

By Ivor Owen

INDEXATION OF MPs' pay was firmly ruled out by Mr. Norman St. John-Stevens, leader of the Commons, last night.

He told the House "I do not believe that in the prevailing economic situation, the indexing of MPs' salaries is a viable political proposition."

Mr. St. John-Stevens confirmed that following the uprating of MPs' pay this summer, the Top Salaries Review Board will be asked to undertake annual reviews of Parliamentary salaries from next year onwards.

"It is the firm intention of the Government, save in the most exceptional circumstances, that any recommendation will be implemented," he said.

Education Bill at risk in the Lords

BY ELINOR GOODMAN, LOBBY STAFF

THE GOVERNMENT risks losing important clauses in some legislation it is trying to put on the statute book in the House of Lords because of the amount of business it is putting through the Lords over the next six months.

Most at risk are certain provisions in the Education Bill—which begins its committee stage in the Lords next week with over 400 amendments already tabled—and, later in the summer, sections of the Local Government Bill.

Because of the need to get the Education Bill on the statute book by the beginning of the financial year, the Government may have to consider dropping its school transport

charge proposal if enough Tory peers and cross-benchers unite with the Opposition to defeat it in committee.

Lord Norfolk, the leading Catholic peer, is trying to persuade other Conservative peers to oppose the transport clause which, it is argued, discriminates against Catholic families who have to send their children long distances to school.

An alliance of Labour and Conservative peers with links in local government could cause similar problems for the Government later in the year when the Local Governments Bill enters its committee stage in the Lords.

Trusthouse donation

By John Moore

TRUSTHOUSE FORTE, Britain's largest hotel group, whose chairman is Lord Thorneycroft, Conservative Party chairman, contributed £28,500 to the Conservative and Unionist Party. The donation, made during the group's last financial year ending October 31 1979, is disclosed in the latest report and accounts.

Carlisle's rejection

A PLAN by Bexley, in London, to split a comprehensive school into separate grammar and secondary modern schools has been rejected by Mr. Mark Carlisle, Secretary for Education and Science.

£1m loans guaranteed for NFFC

By Alan Forrest

BANK LOANS of up to £1m to the National Film Finance Corporation are to be guaranteed by the Government, Mr. John Nott, Trade Secretary, said yesterday.

Mr. Nott's announcement in the Commons came shortly after the annual meeting of the NFFC, at which Mr. Mamoun Bassan, the corporation's director, took a gloomy view of the UK industry's future.

The Government's action is designed to enable the NFFC to continue its activities until legislation to restructure its finances can be arranged.

Higher charges for public services call

BY OUR LOBBY STAFF

THE RIGHT-WING Conservative Selsdon Group yesterday accused the Government of failing to fulfil its election mandate by really cutting back on public spending. On current policies, it maintained, public expenditure would be higher under this Government than under the last Labour administration.

The way forward, it said, must be through higher charges for public services. And, in the view of the Selsdon group, very few items of expenditure should be regarded as sacrosanct.

At yesterday's Press conference some members were advocating the "privatisation" of schools with State-only intervening in education to ensure standards and assist those families who genuinely cannot afford to pay.

To help stiffen the resolve of

ministers, who the group evidently feel are being overly influenced both by the civil service and the views of soft liners among them, the Selsdon group yesterday published a "Beginners guide to public expenditure cuts."

Only a few months ago, it said, very few people indeed would have expected such a paper to be necessary given the party's commitment to cutting public spending but the figures showed a "simple, unambiguous and distressing story." The Government had failed to control public spending.

The Government must, it said, make real economies through charging the market rate for services and introducing charges for services now provided free.

Truck drivers accept 20% rise

BY NICK GARNETT, LABOUR STAFF

THE NATIONALISED sector of the road haulage industry has agreed a 20 per cent pay deal with its drivers, which for the first time provides possible scope for locally-negotiated productivity deals.

The Transport and General Workers' Union, which represents the drivers, said yesterday that the pay rise, covering National Carriers, Pickfords, BRS, Roadline and some special traffic companies, was not linked directly to productivity improvements.

The National Freight Corporation, the overall management body for these companies, was anxious to emphasise, however, that it viewed the deal as a major advance in its attempts to improve the productivity of drivers.

This refers to a union agreement to allow negotiations at depot level on vehicle operating speeds and on possible work flexibility between drivers and depot workers.

The corporation believes the previous union "rule" limiting truck running speeds to below 40 mph is no longer a barrier although it was not clear whether this was the union's view of the deal.

The corporation is also confident that it has won union agreement to reduce what it believes to be abuses of a recently negotiated sickness benefit scheme. This will be done partly by joint union management panels studying cases to persistent absenteeism. The management expects

savings worth 3 to 5 per cent of the wages bill if possible productivity changes are harnessed to the full.

This should also improve drivers' bonus payments. Discussions are taking place to create a new negotiating structure with pay talks held at company level. The union says this would allow such items as bonus payments to be more clearly tied to companies' individual circumstances.

In speech to the Irish section of the Chartered Institute of Transport in Dublin, Mr. Peter Thompson, the corporation's chief executive, said the relationship between high earnings and high productivity had to be recognised by both management and workforce.

THE MANAGEMENT PAGE

مكتبة الأعمال

EDITED BY CHRISTOPHER LORENZ

SINCE JUST before the 1973 oil crisis, one of the world's largest petroleum majors, Shell, has been planning its strategy with the help of "scenarios." Rather than just a fashionable word for dubious forecasts and plans, Shell's scenarios explicitly recognise that it is both impossible and dangerous to try to forecast the future. Instead, by presenting managers with a range of sharply contrasting scenarios about the future, they help them plan for an era of unprecedented uncertainty. Shell's approach has attracted intense international interest, from companies in all industrial sectors.

After yesterday's report on Shell's basic concept of scenario planning, the article below traces how it has been developed further in response to the "real world" inside and outside the group. The article also reveals the radical changes that have just taken place in the planners' view of possible developments over the next 15 years.

ON THE 11th floor of the Shell Centre, on the South Bank of the River Thames in London, sits the department which has been most responsible for the development of the company's "scenario" approach to planning. Under the misleadingly mundane title of Group Planning, the department of just over 40 employees is one of the brightest brains in Shell, not just the half-dozen "philosophers" (as they are dubbed in Shell's internal slang) who actually prepare the scenarios, but several teams of "engineers" who help in the process, and especially in the feeding of scenarios into the more conventional parts of the planning process.

From their vantage they enjoy a suitably global view, in mid-latitude, of Shell's world: upstream, appropriately enough, the new Arab oil wealth around Knightsbridge and Kensington, downstream—a clear day—the Thameside refineries. In the middle machines the world of Government (Westminster), while the bewildered consumer struggles through traffic jams, or crawls along in computer trains, with little real faith in the promise of "alternative energy."

But Group Planning is no ivory tower. There could hardly be a group of planners in any company which was more concerned that its message should be both realistic and convincing to managers throughout Shell's far-flung empire. From all corners of the globe, a steady

How Shell made its managers think the unthinkable

By Christopher Lorenz

PLANNING IN AN UNCERTAIN WORLD



stream of Shell employees—by no means all planners—moves through the department, learning at first hand about the scenario process, and the way of thinking that lies behind it.

The Department has had powerful allies in Shell's Committee of Managing Directors—its top executive policy-making body—since well before the mid-1970s, when its critical importance was underlined by making it directly responsible to the senior member of the committee (generally known by its acronym, CMD).

Since 1971 Group Planning has itself built or helped stimulate a whole hierarchy of scenarios across and down the international organisation: "global" long and short-term scenarios which take a wide view of possible developments, together with a whole range of more "local" and specific ones.

This gradual process has been achieved not by force but through persuasion; each operating company has been free to decide whether or not to use scenarios.

It is partly with what might be called market acceptability in mind that Group Planning has repeatedly revised the content and format of those scenarios for which it is directly responsible: the long and short-term "global" ones which constitute the first two levels of the scenario hierarchy.

The most recent outward expression of the importance of effective presentation is that the latest two long-term scenarios are summarised in a book of only 30 pages (plus

appendices), whereas their predecessors filled two 80 page volumes.

It is for the same reason that Pierre Wack, the Frenchman who, as Shell's chief "philosopher" is given particular credit for the success of scenario planning, spends a considerable amount of time making presentations to various levels of management: he devoted the equivalent of a full working month to this last year.

Scenarios were first introduced into Shell Centre on an experimental basis 10 years ago (see notes to the table). Since then, it is not only their content that has changed, but also the way they are applied. The process of evolution continues today, in an attempt to make the approach effective at all levels of the organisation.

The company now uses various different types of scenario. The more generalised ones contain descriptions of possible world developments in a wide variety of interrelated spheres: economic, political, social and technological. Where possible, they are quantified in terms of gross national product, inflation, oil prices and so on.

Almost invariably, at least two very different scenarios are provided, so the planner and manager is presented with an extremely wide area of probability. "The idea is that neither scenario will be right, but that if you're prepared for both you'll be ready to cope with the real world," says one participant in the process.

"The important thing is that they help managers to think, to break through their conventional views. If they do nothing else, they're a success," he adds.

The roots of scenario planning in Shell are outlined in the notes to the table. It is impossible to pin an exact date upon the acceptance of the concept by top management as a whole, but by 1972 it had generated considerable support among most members of the CMD, who had already become convinced that the existing system of forecasts and plans was beginning to prove itself inadequate.

To quote the late G. C. Porceddu, senior managing director of the worldwide group until his death last autumn: "We were dis-

turbed about the quality of our estimates."

After two years of internal experiment, Group Planning had presented six different long-term scenarios (covering a 15-year period) to the CMD in early 1972. Half of them indicated, among other things, the strong probability of an early and major disruption to the settled pattern of energy supplies—a message that the CMD rapidly passed on to the business sectors beneath it.

It was about the same time that Shell began to warn Western governments about the possibility of a full-blown energy crisis. But within Shell itself, several of the business sectors appeared to be continuing to assume in their decision-making that oil supplies would continue to be both adequate and cheap.

Early in 1973, when a revised set of scenarios was presented to CMD, any assumption that energy supplies would continue to be adequate had been abandoned. All the new scenarios depicted an initial period of considerable turbulence, characterised figuratively as "The Rapids." Yet still many senior managers failed really to grasp the message and its implications.



It was at this stage that Group Planning cut the number of global scenarios to two "archetypes." This was partly for reasons of presentation: given three scenarios, planners and managers elsewhere in the organisation tended to fasten on to the middle one when applying the scenarios to their strategies. Given six, they started to indulge in massive "number-crunching."

Three of the most important messages conveyed by both the new scenarios were:

● That oil companies were likely to lose their mining rights in almost every oil-producing territory; this was where most of their profits had

traditionally been made. An associated trend would be that the oil industry would for the first time in its history become a relatively low-growth sector.

● That unusually severe economic recessions were just round the corner.

● That the increasingly fragmented nature of world developments must be matched by greater decentralisation in Shell's own structure.

To many senior Shell executives, these elements of the probable future were both shocking and difficult really to take in. But within months the oil crisis materialised and the credibility gap was closed—on one level of consciousness, at any rate.

Since then, the global long-term scenarios have under gone several changes. One has been their application. Originally, they were disseminated to the planning departments of most operating companies, which were encouraged to use them in planning detailed projects of all types. But they often proved far too global and general for such a specific use, to take an example, they could provide little help in testing a plan for extending the network of service stations in a particular country.

For some time now, they have been disseminated far more selectively. And the operating companies have been encouraged to develop their own scenarios for specific purposes.

In structural terms, one of the changes to the long-term scenarios has been the inclusion since 1977 of a broader analysis of actual and potential social trends. The social dimension is now a key element of both current scenarios, "The World of Internal Contradictions" on the one hand, and "Restricted Growth" on the other.

On the basis of an environment of social stress, economic friction and underperformance, "Internal Contradictions" suggests the continuation of a widespread and overwhelming aversion to risk-taking, and an associated slump in economic growth.

The projected figures have varied slightly over the scenario's five-year life, but for the last three they have suggested an average annual rate of only about 2.5 per cent in both Europe and the U.S., and some 4 per cent in Japan.

Until last year, the higher growth scenario was "Business Expansion" (the original title of "Belle Epoque"). In its later life this posed an annual growth of about 3.5 per cent in the West, and about 5.5 per cent in Japan.

By this time last year, however, "Business Expansion" had been effectively abandoned as unrealistic, in part because of the unwillingness or inability of so many Western governments and societies to remove some of the constraints on growth: predominantly high inflation, but also many more.

Well before last autumn's review officially confirmed this abandonment—and the transformation of "World of Internal Contradictions" from the lower

SHELL'S PLANNING EVOLUTION

1945-55: Mainly "physical" planning

1955-65: Project planning + selectivity

1965-72: Unified planning machinery

1967 : "Year 2000" study

1971 : Experimental use of scenarios at the centre

1972-73: Introduction of scenario planning

1975 : Introduction of medium-term cyclical scenarios

1976-77: Introduction of "societal dimension" in planning

1978-79: Deepening "geopolitical" and "political" risk analysis

Source: Business Environment—Group Planning Department, Shell International Petroleum Company.

PIERRE WACK, head of the "Business Environment" section of Shell's Group Planning Department, describes the evolution thus:

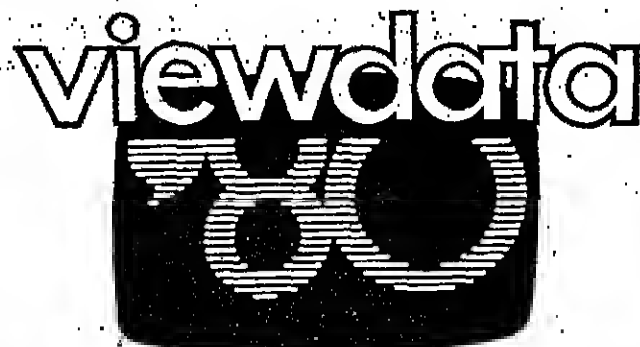
"Physical planning" concentrated on the construction and bringing-on-stream of individual oil installations, with relatively little consideration of their overall financial implications for the company. This approach was broadened in the mid-1950s into project planning, with finance now playing a considerable part, but with the plans still following each other in an unrelated fashion. Some assessment was done of

the relative value to the group of different products and market segments, enabling certain of them to be selected as warranting greater emphasis than others.

The unified planning machinery erected from the mid-1960s was "the most perfect tool I know in a stable world." An elaborate procedure brought the operating companies together in a coordinated process for the first time. Most of the planning was still based on single forecasts.

Almost immediately the unified machinery was introduced, Group Planning under-

took a lengthy study of the future, up to the "Year 2000." This presented a disturbing picture of world developments throughout the rest of the century. Especially striking was its suggestion that Shell's world was about to enter a period of turbulence, and that the group would have to learn to cope with a great deal of uncertainty over oil supplies, prices and related issues. It convinced most of Shell's managing directors that a new approach to assessing the future was required. Hence the development of the concept of multiple scenarios, leading to their experimental use at the centre from 1971.



First World Conference & Exhibition on Viewdata, Videotex & Teletext

26-28 March 1980, Wembley Conference Centre

The conference will examine the current status and potential of the various viewdata, videotex and teletext systems both in this country and overseas.

This will include discussions on the British Post Office's Prestel system with special sessions describing French, Canadian, U.S., and Japanese systems.

Other streams will deal with various viewdata/teletext applications, electronic publishing, private viewdata systems and telesoftware.

The Prestel Show

This will be a highlight of Viewdata 80. Co-ordinated by the Post Office, it will include sessions for special interest groups, together with presentations intended for the general public.

The Exhibition

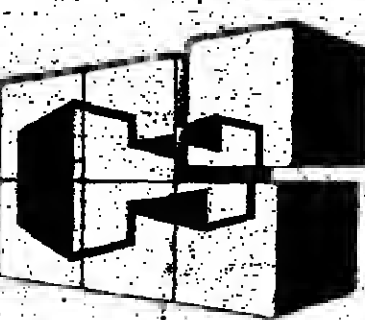
On display will be a complete spectrum of equipment and services by the major manufacturers of TV sets and terminals. Also represented will be the PTT administrations, information suppliers and consultants.

Special discount on tickets purchased prior to 17 March—3 tickets for £3, or multiples. All ticket requests to Online Offices must be accompanied by cheque and SAE.

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BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Land gift to company

A managing director of a family company retires at age 65 and at the same time gifts his shareholding to his son, who thereafter runs the business. The land, on which the business is situated has always been the personal property of the managing director, the company occupying the premises rent-free.

Two years after handing over control, the former managing director wishes to gift the land (approximately value £40,000) to the company. The CGT position seems clear regarding the gifting of shares (Retirement Relief) but what about the gifting of the land?

You face both CGT and CTT on the proposed gift (whether it be to the company or to the shareholders). Since you will need the services of a solicitor in preparing the documentation, we recommend that you seek his or her advice on ways of mitigating the prospective tax burden.

If there is no urgency, you should consider awaiting publication of the Finance (No. 2) Bill, next spring, but you should not delay seeking professional guidance.

Unreasonable by-laws

We own a number of domestic properties in three local authority areas, and find that one of them makes building by-laws different from the general run, not, in our view, of any advantage to the tenants, and more expensive to us. Further, the authority's own houses do not conform with them. Generally, the whole attitude of this authority is vexatious and apparently designed to drive the private landlord out. Is there anything we can do? The local authority must ultimately rely on the advice of its own officers, who ought to apply the statutory rules impartially.

In practice this does lead to some authorities being more demanding than others. However, if a wholly unreasonable interpretation were to be placed on the regulations you could challenge that interpretation in court. As to this you should consult your solicitors. A more practical course may be to make representations to councillors on the authority in question or to interest local newspapers in the matters which give rise to your disquiet.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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16 figures!

14

LOMBARD

Embarrassment of sterling

BY PETER RIDDELL

THE CURRENT level of sterling is an affront and an embarrassment to economic forecasters. Even after this week's sharp fall the pound should not be nearly as high as it is judged by all the traditional forecasting relationships and yardsticks of competitiveness. The consequent "anomaly" poses a major problem for the economic southsayers who have been forced to produce some not entirely convincing answers in the batch of major forecasts just published.

Question

This is an important issue since, as the London Business School pointed out, "the biggest question mark over the short-term future of the UK economy concerns the value of sterling." And question mark it is likely to remain since the foundations for projections are so shaky. A year ago the monthly Exchange Rate Outlook produced by LBS economists forecast that the sterling trade-weighted index would decline by 6 per cent over the following 12 months; in the event the index has risen by 15 per cent. This was not an untypical projection at the time.

This appreciation occurred even though sterling's prospects deteriorated rather than improved in the interim according to the criteria of trade performance, relative monetary growth and price and labour cost. Moreover, both the Institute and the Confederation of British Industry believe that any decline in UK interest rates will only be very gradual because of demand for bank loans. But even if interest rates do start to decline this could be as in 1977, have the apparently "perverse" effect of attracting funds into the UK to buy gilt-edged stock in the hope of capital gains following a further fall in rates.

Changes in the relative level of international interest rates result in a switching of short-term capital flows which can depress sterling, as has happened over the last week. But the medium-term uncertainty about the pound remains and the present state of currency forecasting does not seem able to provide a plausible answer.

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EARLY MARCH sees the start of a new season for camellias. West Country readers will think this very slow as their early varieties have been frolicking for several weeks in this mild February weather. The best, however, lies ahead.

The forecasts for March are all fair. The spring frosts are not expected to be harsh. 1980, then, should see the camellias at their best.

Few gardeners realise what passions a camellia can still arouse. In Japan, especially, respect for the camellia runs higher than in any of its British homes, even our shaded courtyards in Central London. There is still a secret Japanese brotherhood of modern camellia fanciers. They are grouped round varieties which stand out and grow in the old Higo area and confine their cuttings to a few families only. These groups, named the Hanaren, watch out for varieties whose flowers have at least 100 stamens in their centres.

In Britain we have few which come near their standards. The special Higo hybrids are not familiar and gardeners are hardly aware of their low-growing style, their range of colours through pale pink and pale yellow and the unusual pattern of the stamens in the centre of their broad-petalled single flowers. They are close to the ground and are developed from the lovely snow camellias, varieties whose leaves are

adapted to survival under deep Japanese snowfalls. These are not so happy in any climate which fails to bury them in winter.

The ideal of the Higo societies is a flower whose stamens are fit to symbolise the heart of a brave old Samurai warrior. At 100 stamens, the flower qualifies for the Samurai's status and is then kept within the family circles of growers and breeders. These circles are known in Japan as the "stamens". They are as tightly controlled as the old northern clubs in Britain, groups which once grew auriculas to such high standards. Monopolies, it seems, started early in Japanese society and were xenophobic even in the garden.

In Japan, the camellia was quite unusually important. It provided almost all the wants of life. Its seeds, when pressed, would make a pretty hair-dye whose supply was never likely to dry up or change its colour. No wonder the ladies in high society would sigh for a bunch of camellias, as fine a test of a lover as the hand-writing on his invitations.

In Britain, we have been more prosaic. The camellia's needs are well known. The soil must be acid, fit for rhododendrons and preferably black, peaty and damp. The drainage must be good and water must be abundant throughout the summer. There is no variety whose flower-buds will not be

browned by a sharp frost during spring in most parts of the country.

There are various defences against this condition, of which the easiest is to plant in a sheltered north or east aspect where the early-morning sun will not fall on to frosted flowers and compound the damage.

GARDENS TODAY

BY ROBIN LANE FOX

Strawberry nets are worth putting over a plant when it is in bud. Their mesh works like a string vest and helps to mitigate the first few degrees of frost. Otherwise, you run the risk of browning, a point which turns many gardeners away from the lovely white varieties. These absorb less heat in their flowers than red ones and are proven to be more prone to damage from frost.

To avoid them may be prudent, but it is sad to miss the loveliest colour of all among the glossy evergreen leaves.

The white camellia stands its best chance in a sheltered city garden. Almost every backyard is shaded, city soil tends to be acid and the glossy leaves resist the dirt.

I am often asked for an evergreen shrub which will live up to a moderately shaded back

patch and I cannot think that there is anything prettier than a group of camellias with skimmias, perhaps, as light and skinnier companions.

Impatient gardeners can usually buy a few older camellia-plants from a major London garden-centre, Russell of Earl's Court or Clifton Nurseries, Queens-

varieties are even and healthy outdoors.

Of this group, the most famous is the silver pink Donatella, a name which probably now covers several forms of differing vigour. It is a semi-double, upright in shape, small-leaved and exceptionally easy. Every garden should put it first for safety, though milder gardens should be aware of its child, Glenn's Orbit, named in the wake of the first space

travel. This variety flowers a month earlier and has stronger leaves and better flowers. It lacks the darker lines to Donatella's pink petals and is preferable, to my eye, in exposed gardens, its season is more at risk to frost, but the risk deserves to be taken more often.

The other safe members of this group are mostly single-flowered. Do not pass them over because they are unlike the text-book camellia, full and flat. A well-grown bush of the single white Princess Hanger is a marvellous sight like a snow-storm on a forest of dark evergreen leaves. I would always try this one as my filling for the dark corners of a town garden where the white shows up so well. Be sure the soil is deep, 3ft or so of acid compost. Falled camellias are usually standing in shallow beds a foot deep at most above the grim London sub-soil. They are wasted there.

J. C. Williams is a well-known

For general garden value, however, the Williams crosses are still the leaders and I would urge you in this promising camellia year to look for Donatella and her excellent cousins, your best way into this fascinating family.

Maurivarano well placed for win at Catterick

JOHN FRANCONI surprised a good many people a few days ago when nominating Rough And Tumble as his Grand National choice in preference to Chumson so it will be intriguing to see how this 10-

RACING

BY DOMINIC WIGAN

year-old fares in the Fort Royal Handicap Chase at Worcester this afternoon.

Although the 2½ miles event is on the sharp side for Rough And Tumble he has clearly been pleasing both Fred Wintour and John Francone in recent

weeks. And his last run at Ascot on February 13 suggests we may not yet have seen the best of him. He was second to Master Spy but beat So And So and Ormonde Tudor over three miles.

This afternoon I feel confident that Rough And Tumble, even though the distance is probably too short for him, will further his already considerable claims to Grand National consideration.

Tony Dickinson's horses have been more than a little disappointing recently, but I can see no reason why Maurivarano should not land the Girshy Novices Chase at Catterick. A fortnight ago at Sedgfield this promising young chaser justly beat the best of his 11 rivals to lengths victory over Noble

Heart. He finished 1st, Zongoro, 16-1, Rubic, 16-1, Spat, 16-1, and Wagner, 20-1. Rough And Tumble and The Vintner, 25-1, So And So and Royal Frolic, 33-1.

2.15—Tombola
2.45—Supreme Sail
3.15—Val Dan
3.45—The Fencer**
4.15—Maurivarano**
4.45—Lunar Wind

2.00—Whisky Go Go*
2.30—Ballyburren
3.00—Go Brookshire
3.30—Captain Jack
4.30—Opening Night

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4.30—Opening Night

2.00—Whisky Go Go*
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THEATRES
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Augustus and the Cleopatra by David
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the Roman Empire. One of the best
New. March 4-April 12. Eves. 7.30.
Sat. Mat. 2.30.

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THE ARTS

Television

Familiar faces, predictable plots

by CHRIS DUNKLEY

The trouble with appearing in a television series in a role as distinctive and memorable as that of Manuel, the unfortunate Spanish waiter in *Fanny Hill*, is that it takes the audience an awful long time to forget it. This can cut both ways of course: Andrew Sachs would not now be appearing in BBC's Sunday lunchtime series about writing and spelling, *Write Away*, holding up his thumb and emphasising "thumb" had he not established Manuel so hilariously in the comedy series.

However it does also mean that when he appears in the title role of *The History of Mr. Polly*, BBC's new Sunday teatime family serial, one spends the whole of the first episode waiting for him to throw off the disguise of a Victorian draper's assistant and revert to the broken Spanish we know and love. No doubt we must accept such small confusions as one of the prices that have to be paid for the sheer quantity of material offered on television nowadays. The supply of talent is far from infinite and there will inevitably be more occurrences of this sort not fewer as the number of programmes keeps on increasing during the eighties.

Mr. Polly had a modest start. Visually there were some interesting moments, including a beach sequence with a line of bathing machines (shot on glass matte, perhaps?) and a peaceful pastoral scene with a mass of poppies looking remarkably artificial in the foreground. The shop assistants shared attic felt authentically overworked, but the main feel of the production was that of tight huddling: this despite the fact—if I read the end credits correctly—that it was made with at least some co-production money from Australia, another habit which will doubtless become even more common during the 1980s.

Still, at least we know (assuming the adaptation by James Andrew Hall remains fairly faithful to the book) that this serial will have a good story to tell, a virtue which seems to have become, in one of those changes that affect television from time to time, enormously popular all of a sudden.

Immediately before Mr. Polly there was the start of a new ITV teatime serial, *The Further Adventures of Oliver Twist*, which might have been expected to make the very most of having

no famous text tying it down and to go for lots of child-pleasing activity. Instead it seemed to be intent upon out-Dickensing Dickens with its 19th century mannerisms and language and its succession of uninspiring interiors. Yet writer David Butler has proved his abilities with such impressive series as *Edward VII* and it is hard to believe that he won't have a good story to tell here. He manoeuvred Oliver into school with his old mate Artful Dodger at the end of Part 1, so there is promise.

ITV's "Armchair Thriller" is in the middle of an adaptation by Troy Kennedy Martin of Derry Quinlan's book *Fear of God* which is chock-a-block with plot: the girl squatter who falls to her death from the roof of journalist Paul Marriott's house and is later revealed to have been a member of a loony religious sect, the illogical involvement of the Special Branch, talk of futuristic sound weapons, and so on.

The idea that Ministry of Defence Press officers can wander into newspaper offices and prevent publication of anything they dislike is somewhat odd (stemming from a misunderstanding of Colonel Sammy Lohan's role in the notorious D-Notice affair of the sixties, I suspect) but I can hardly afford to complain much: the work does, after all, feature a television critic as its central character and depicts him as quite human. Like most of us in the TV-criticism business he brews and bottles his own champagne in a room between the bedroom and the bathroom.

It is pleasing to find in this part Bryan Marshall, one of the most familiar faces in television drama, for once playing a scruffy modern townsman rather than a traditional square-cut officer or a Mummeryset countryman. It is also pleasant to find much of the action shot on location, a technique for which there is no substitute if realism is your aim and if you have any concern (as every programme maker should) for the detail beyond the actor's face.

BBC's *Street Nothings* is structurally remarkably similar to "Armchair Thriller": it too is a short serial split into half-hour segments with a double-episode each week on Tuesdays and Thursdays. In fact it is possible to watch both programmes by switching on ITV

at 8.00 on these nights and changing channels at 8.30. While *Fear of God* is set in London, however, Ted Whitehead's *Love Story* uses Liverpool as a background, a fact which director Martyn Friend somewhat over-emphasised in the opening moments of Episode 1 when he packed in the Liver Building, the Mersey ferry and the Kop.

The story threatens to overdo modern urban sentimentality, what with lyrics in the liberating sand dunes (you know the scene even if you didn't see this programme because you have seen it in so many others) and fish and chips on the seat overlooking the Mersey just like they used to have as teenagers. Its saving grace is that the couple, played with charm by Tom Bell and Lynn Farleigh, are married and have been for 20 years, which makes for an interestingly different story.

In the case of *Telca Of The Unperished* which came back with a new series on Saturday, so much importance is attached to the plots, and in particular the "twist" endings, that there is really very little else to them. "Star names" of course (Anglia TV are red-hot on "star names" which they contrive to inject even into their nature programmes) and those embarrassing American-style freeze-frame introductions from Ronald Dahl. But precious little character development or even atmosphere apart from the nameless dread so familiar to us from Hammer Films and the like.

Apart from admiring Timothy West's professional looking expertise in handling bees without any protective gear there was really nothing to do but "Royal Jelly," the first of the new series, except wonder how the ending could possibly be other than the utterly predictable one. Finding out that, sure enough, it was just what we all expected made the experience of watching the play seem something like driving ever so slowly towards a very obvious brick wall and arriving, I hope, plugging cunningly aside at the last minute continuing instead to drive straight into it. Incidentally "Royal Jelly" would be more impressive if Wells and Kafka had not gone so much further with very similar ideas years earlier.

I have to admit—and after all the unflattering remarks made



Andrew Sachs and Glynis Barber in 'The History of Mr. Polly.'

here recently about single plays compared to serial drama, "admit" seems the right word that the best new drama of the week, and by a long way, was BBC's "Play For Today" *A Gift From Necessity*. The ingredients were those of so many other stories: bored middle-aged salesman married to a social climber, two children, adultery, trouble at work, trouble at home, trouble with mistress.

Yet this version, written by William McIlvanney, dramatised by Bill Craig, and directed by James Ormerod, was special. Though it overcame a trade there was a cutting edge of controversy which kept peeling away new raw patches so that the work never looked remotely like soap opera. Though it ended with something like hope it involved tragedy of a power that we just don't normally expect in modern domestic settings on television. It was a thoughtful, honest and, although not

entirely pessimistic, still rather sad play.

It is important to say that *A Gift From Necessity* was the best new play of the week (and of all 1980, so far) because BBC 2 has been repeating *The Lost Boys* which is a giant among television dramas and offers almost unfair competition if comparisons are in order. Unfortunately for Granada their production of *Secret Orchards* in which William Trevor told the story of Roger Ackersley's two households seemed highly comparable: period drama telling of his relationships within an English middle-class family. Despite a marvellously sympathetic performance from Freddie Jones as Ackersley, *Secret Orchards* never clarified motives and human forces on the historical side, nor worked very impressively as a play. *The Lost Boys* on the other hand offered a very credible reading of history (whatever the truth) and, above all, worked magnificently as drama.

Ambassadors

Dylan Thomas Growing Up

by B. A. YOUNG

Dylan Thomas's recollections in his biographical writing are immensely enjoyable, with their selective observation and inexhaustible gift for comic phrase. Evelyn Williams gives us nine choice extracts, speaking with only a trace of Swansea in his voice, confining his acting to the most part. Although he said in an interview last week that he wasn't into the poems, he offers two, *The Hound and the Vixen* and *And the verses that repeat like a tolling bell*, the refrain "Death shall have no dominion." He is less successful in these.

He also gives the long post-humous story *Adventures in the Skin Trade*, Thomas's fantasy phantasmagoria throwaway lines like the end of the fashion-girl's description, "seven feet high." It makes you wonder what would have happened to Dylan Thomas if he had grown up in the delightfully normal way he recounts in his writing. A lot of reviewing, I suppose, film scripts, long pieces in the colour supplements of the Sunday papers.

He would be 67 now. Too old, I wonder, to succeed Sir John Betjeman as Poet Laureate?

Festival Hall

Gilels/Maazel

by ANDREW CLEMENTS

A number of Soviet performers have failed to appear for London engagements in the last few weeks, but Emil Gilels happily was not among them. In his most majestic form, he played Brahms's B flat Concerto with the Philharmonia Orchestra at the Festival Hall on Monday evening. Lorin Maazel conducted, and followed the concerto with more Brahms, the second symphony, in the second half.

Gilels has long been associated with the second Brahms concerto. A decade ago, he made a famous recording of it with Jochum, and in the meantime, if it is possible, his interpretation has gained in stature. It is a towering, granitic performance now, of immense control—what wrong notes there

were merely indicated by his efforts to wrest maximum intensity from the keyboard—and physical and intellectual strength. Under some fingers the concerto can seem to represent Brahms at his most complacent, satisfied with the fertility of his own invention, moving confidently within strictly prescribed emotional limits. But Gilels harked back to the earlier D minor concerto, suggesting passion and impetuosity, making of the first movement a glorious celebration of total power.

Between the frissons of uniquely powerful playing—the clusters of double trills in the first movement punched out, the scherzo for once an equal contest between orchestra and a soloist able to match its resources—there were equal

moments of quietly heroic playing. The opening of the concerto was calmly poised, unhurried, and its mood precisely recaptured in the transition to the recapitulation; the reprise of the cello's solo in the Andante was clothed in the most exquisite allover filigree, allowing Gilels to begin the finale in intimate, almost domestic simplicity.

The memorability of such a performance could hardly have been marred by any sort of remotely competent orchestral playing. Mr. Maazel's contribution was, however, much more than competent; one or two details of over-assiduous string phrasing apart, the charge and brittle sheen he imparted to the tutti precisely set off the dramatic inevitability of Gilels's superlative performance.

Elizabeth Hall

Nash Ensemble by RONALD CRICHTON

A Franco-British evening in the Nash Ensemble's series of four concerts of music of this century. A soothing mixture that would have been more soothing still if a derangement of London Transport hadn't deprived me of the opening work, Debussy's *Sonata for flute, viola and harp*, whose final rustlings could be heard on arrival in the foyer on the hall's unfurling closed-circuit television.

The winding horn solo at the opening of Nicholas Maw's *La rito nuovo* restored sinking spirits, and the remainder of this song-cycle for soprano and chamber ensemble kept them agreeably high. Maw's title is from Dante, the five poems are by Italian poets who followed in Dante's wake, including Tasso and Michelangelo. They cele-

brate, on an elevated plane, love and nature. The most direct is Tasso's "Taccione i boschi" placed at the heart of the cycle, drawing from the composer a striking evocation of nocturnal, moonlight stillness.

The singer, Elizabeth Gale, was I understand indisposed, but sang none the less with expressive intelligence. I doubt whether her voice is really full enough for Maw's rapt, sustained writing, or her colouring of the words quite vivid enough to project over lacy instrumental writing of the kind always likely, however delicate, to endanger a voice. Curiously enough, from my seat it was in the two animated Madrigals, the second and fourth songs of the cycle, that Miss Gale made the

most definite impression. The second half brought a little-known Messiaen work of 1930, *La Mort du cygne*, whose association of soprano and tenor soloists with violin and piano seemed at first unadventurous compared to the infinitely more fanciful pairings of Maw and Maxwell Davies (whose wide-spread *Ave Maria Stella* closed the concert), yet the ardent, unapologetic, unembarrassed directness with which, as poet and as composer, Messiaen sets down his spiritual raptures soon imposes itself. Here Miss Gale was joined by Alastair Thompson, Mark Elder was the discreet conductor of Maw's cycle. The playing of the Ensemble had the kind of polish one tends to take for granted.

New End

Jubilee Too by MICHAEL COVENEY

Stephen Jeffreys made an impact with a short play a couple of years back, but his new piece for the touring company, *Paine's Plough*, convinces only as a self-conscious parody of a fringe play. And that is not what was intended. Bernard Cusshaw's design provides a large pound note as a backdrop to a tale of money and reprisals among a most unlikely collection of oddball characters.

Ingham has returned from Rhodesia to open a wine bar, shelled by a niece. Charity, who has been put off astringing in public by a man who abused

himself as he listened to her. Ingham is a pedantic dolt in the grip of a loony Scot, MacFadyen who has been running a mercenary recruitment scheme and aims to use the wine bar, and his financial involvement in it, to keep up the bad work. Standing around on the sidelines is a rather under-powered punk girl who works in the wine bar but is really being kept in reserve to provide an ending. And then there is Keef, an aggressive ex-mercenary who returns to the Lake District to exact some revenge during those scenes when he does not have to freak out as a result of his experiences. Keef can

put up a tent, but not much else, which means his attraction to charity is never fully expressed. MacFadyen keeps walnuts in his tin bath and, when Keef sticks a gun in his car and asks for some money, he starts shovelling them on to the floor. Mr. Jeffreys' Barker is worse than his bife. When not shovelling walnuts, MacFadyen plays the loyalist and is currently engaged in lighting a beacon for the queen's Jubilee celebrations. The playwright is, I suppose, saying something about the unacceptable face of patriotism. The acting in John Edward Adams' unbelievably po-faced production is ordinary.

Carnival 80 in Venice by WILLIAM WEAVER

The new director of the Venice Biennale, Professor Giuseppe Galasso, and the heads of the various sectors—cinema, music, theatre, fine arts, architecture—have determined that, instead of limiting their activities to the obvious vacation months of summer and early autumn, they will turn the city into a year-round festival, with attractions designed to draw people to Venice constantly.

Proof of this decision (and of the revitalized Biennale's capacity now to put it into effect) was the recent "Carnival Teatrò '80," a six-day, non-stop array of theatre devised by the Settore Teatrò of the Biennale, under Maurizio Scaparro, the well-known producer. For these days the Biennale invited to Venice a number of companies or individual performers and, at the same time, encouraged local talent and local theatres to put together special Carnival entertainment. The notion caught the public fancy, there were big articles in every leading Italian newspaper and magazine, and—at the culminating event, a mammoth kerfuss in Piazza San Marco—an estimated crowd of 30,000 was dancing, or at least bobbing, in the drawing room of Europe, which could more aptly have been described as the

Times Square of Europe on this occasion.

The crowd was colourful and remarkably restrained. No major injuries reported. The visitors to the theatre festival were also good-humoured and disciplined. Their number did not reach 50,000, but it was still high figure, and the Venetian theatres—most of them intimate—were strained to (and past) their capacity. As a result, often there were nervous throngs milling about in the blinding cold in the hope of finding a ticket, exasperated house managers trying to hold one audience at bay outside the house, while a second audience, inside, was watching the last scenes of another event (the performances followed one another in rapid succession, and some lasted until 2 o'clock in the morning). Schedules were mysteriously, abruptly changed, and so were venues; nothing began on time. Obviously, these were the running-in problems of a first festival; next year, as this marathon becomes an annual event, presumably things will be better organised, including the harassed and not always cordial Press office.

Not even the most conscientious and the most insomniac critic could see everything, and

it is possible that I missed some good production (the Teatro Cronaca of Naples presented *Festa di Piedigrotto* by Raffaele Viviani before I arrived; I hope to catch it on tour). Among the things I did manage to see—seven events in five theatres in three days—the most enjoyable were *I quattro rusteghi* of Wolf-Ferrari at the Teatro la Fenice, and *La donna serpente* of Carlo Gozzi at the Teatro Goldoni (presented by the Teatro Stabile di Genova).

Wolf-Ferrari's Goldoni operas (he also wrote *Il campicello*, *La redovata scoltura*, and *Le donne curiose*) are occasionally revived in Venice, but have never entered the Italian repertory. Slight, dandy-faceted, witty, they have a special flavour, a special humour. They are not really comic operas, and enjoyment of them depends very much on a comprehension of the Venetian dialect text (virtually impossible to translate). So the Fenice is the ideal—perhaps the only—place to enjoy these works, along with the Venetian audience, whose amusement at this charming *Rusteghi* revival was palpable.

The opera does not require great voices, superstars, and the Fenice put together a cast with no really big names, but with experienced veteran artists. They all sang well and there was a pleasant feeling of teamwork in their acting. The sets and costumes—borrowed from the Teatro Comunale di Treviso—were by Giuseppe Gambino: simple and appropriate. The same can be said of Paolo Treviati's production. The Fenice orchestra is clearly emerging from a period of decline: it sounded crisp and bright under the pianist, intelligent conducting of the young Maximiano Valdés.

The Gozzi play was given at the Teatro Goldoni, recently restored after having been

closed for more than 20 years. While the restoration is not happy (the facade is downright ugly), the renewed house is comfortable and capacious; and it was moving to see *Lo donna serpente* in a house standing on a site where there had been theatre in Gozzi's own day. Nowadays Gozzi is known chiefly as the source of the librettos for Puccini's *Turandot* and Prokofiev's *Love of three oranges*; his complex, loquacious fairy tales are seldom seen on the "prose" stage any more.

The Genoa production of *Lo donna serpente* is not literal; but the adaptation by Egidio Maruccel, who also staged it, is affectionate and brilliant and gives a good idea of Gozzi's highly individual, elegant style. The sets and costumes by Emanuele Luzzati are also an unalloyed delight, and the monster of the title, with bulbous eyes and lolling tongue, is a charmer.

The play requires a sizeable cast, and the Genoa company includes also a number of young people. Among the older members, Donatello Falchi was outstanding as Panselone. Francesco Origo and Miriam Formisano also merit praise as, respectively, Brighiella and Trufaldino. And there is light-hearted, apposite music by Franco Piersanti.

Other Venetian offerings were monologues by Dario Fo and by Franca Rame (the latter on the condition of women), a programme called *Non/proprio* by the Czech mime Boleslav Poloka (all right, if you like Czech mime), and the incredibly boring *Ritiro* (Retreat), a sermon lasting an hour and a quarter translated from Joyce's *Portrait of the artist as a young man*. The single interpreter was Claudio Remondi, who kept fidgeting with his sack-cloth, off-the-shoulder robe and who also forgot his lines a couple of

Money for artists

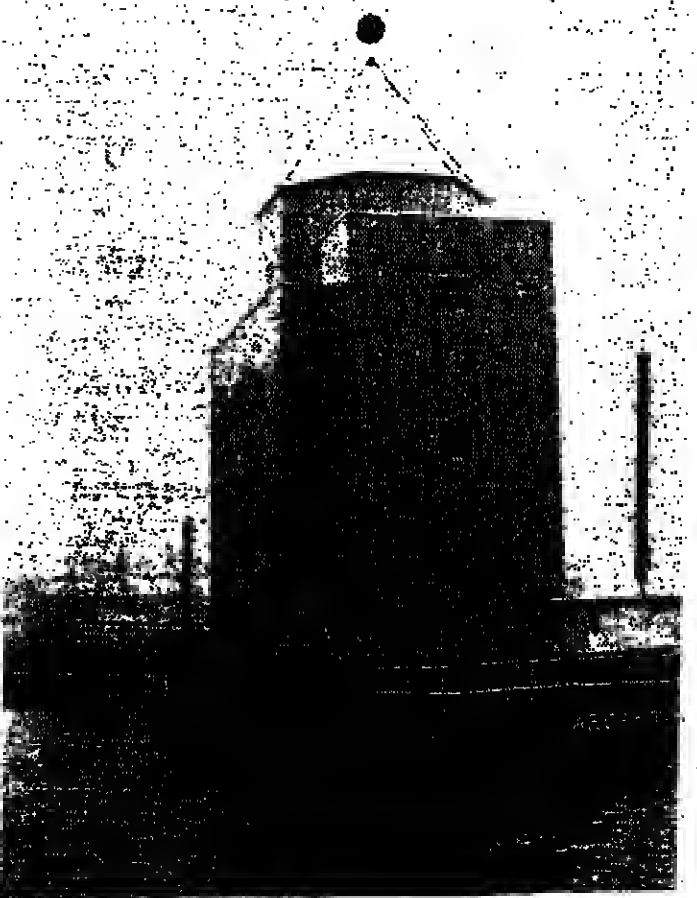
Commercial sponsors have suddenly discovered the visual arts. Within the past week or so two substantial new supporters have emerged. The Hunting Group of Companies is putting up £11,000 a year as prize money for artists while Imperial Tobacco is co-operating with the National Portrait Gallery in a scheme aimed at encouraging young portrait painters with a £7,000 incentive.

The Hunting Group is to give £5,000 for the painting of the year by a British artist and the same sum for the watercolour of the year. Another £1,000 will be divided among the finalists. The winners will be chosen by a panel of distinguished figures

in the art world including Sir Norman Reid and James Filton with the assistance of the Federation of British Artists. More information can be had from the Federation, at 17, Carlton House Terrace, London SW1.

The Imperial Tobacco Portrait Award consists of £4,000 in cash, plus a £3,000 commission to paint a well-known sitter. The resulting work will become part of the National Portrait Gallery's contemporary collection. The Award is open to artists between 18 and 40 who in the first instance should forward photographs of recently completed work to the National Portrait Gallery.

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Wednesday March 5 1980

Clear mandate for Mugabe

The black voters of Rhodesia have given a clear and unequivocal answer to the question they were asked in last week's election—by whom did they want to be governed? An astonishing 87 per cent of them have cast their votes for either Mr. Robert Mugabe or Mr. Joshua Nkomo, the two guerrilla leaders.

Mr. Mugabe has emerged as the undisputed leader of Rhodesia's majority Shona tribe. Mr. Nkomo has won all the available seats in the regions where the minority Ndebele predominate. There were strong signs yesterday that they would now bury the personal and tribal rivalries that led them to campaign as separate parties in the selection and resume the alliance that served them so well at the Lancaster House constitutional talks.

Tribalism

If this happens, then the new state of Zimbabwe will achieve its legal independence in a few weeks. The new Government will have an indisputable popular mandate, and with two rulers who together can work to overcome the ever-present dangers of tribalism in the new state, in these two respects, the election has produced the best possible result. It is not the result that the British Government wanted. But against this, the widespread expectation that the Shona vote would be split between Mr. Mugabe and Bishop Muzorewa has not been fulfilled. The dangers of civil war breaking out have receded. Even the South Africans have gratefully accepted the result.

For a different set of reasons, the dangers of a "white coup" following a Mugabe electoral victory appear almost to have vanished over the weekend. A series of belated scenes between Mr. Mugabe and General Peter Walls, the Rhodesian military leader and the effective leader of the white community, have led to an accommodation between the two men that seemed highly improbable as recently as ten days ago.

General Walls's role over the past few days has been constructive. If a truly multi-racial Zimbabwe is to be built

out of the bitterness of the past two decades, one starting point must be for the white leadership to bury the hatchet and to set about playing their part in building a new nation.

Ideology

So, too, Mr. Mugabe. Mr. Mugabe has long proclaimed himself to be a Marxist. He fought hard against the principle of guaranteed white minority representation in the Zimbabwe Parliament. His party has in the past been characterised by an almost jesuitical ideological fervour. It would be a triumph for common sense and an enormous bonus for Zimbabwe if he was to translate his new sense of reconciliation and moderation into a Government which restores confidence to the white community.

It would, of course, be quite unrealistic to expect Mr. Mugabe not to take a number of actions that the white community will find difficult to accept. There is not a single case in Africa where the leader who has taken power at independence has subsequently lost it in democratic elections. "One-party democracy" is the rule, and one-party rule is likely to be the end-product in Zimbabwe.

Wealth

Mr. Mugabe has been elected by a black electorate hungry to take real political power away from the ruling white elite and to gain what they see as their fair share of Zimbabwe's considerable wealth.

But it is possible to be hopeful that all this can be achieved without a wholesale exodus of the white community. To be able to express such hope is a measure of the triumph of British diplomacy over the past eight months. First Lord Carrington and more recently Lord Soames have trodden a difficult and dangerous road. Lord Soames has had to conduct himself amid a chorus of criticism, accusation and counter-accusation.

If all goes well over the next few weeks—and things could still go wrong—then Britain will honourably have shed its last colonial responsibility in Africa.

A little local difficulty

THE EXTRAORDINARY tightness in the money markets, which has now persisted for some weeks, is causing a bout of nerves in the City. The pressures are interpreted in the sense in which the Prime Minister spoke in the recent confidence debate—the inevitable result of an excessive rise in costs, and especially in wages, despite a restrictive monetary target. If this were the whole explanation, it would indeed be a sign of weakness that the authorities should be going to such lengths to prevent the tightness having its natural result—a further rise in rates.

Distortions

However, this is a drastically oversimplified picture. Apart from the restrictiveness of the money targets themselves, the pressures in the market have been greatly intensified by the coincidence of a heavy deficit phase in the business cycle, the impact of the tax-gathering season, the workings of the stock relief system, and the feast-and-famine cycle of Government funding. Further distortions caused by the banking cartel and by the reluctance of the clearing banks to raise their base rates have compounded these difficulties.

The distortions are familiar, but it is worth reciting them in detail. The tax-gathering season is producing an exaggerated flood of revenue, both because of high inflation and because of Government measures to bring forward some receipts.

Tax flows alone would cause considerable pressure, but in addition industry has been caught at the turning point of the cycle, with large unbudgeted stocks to finance. It is not easy to move these stocks in a depressed market, and in any case many companies have a strong motive for postponing the effort until March 31, since any disposals before then will tend to bear corporation tax. There is thus a rise in involuntary hoarding.

Reserves

The market has been ill-placed to absorb this peak in credit demand, because the operation of the banking cartel has encouraged banks to hold a sub-minimal cushion of reserves. Meanwhile money-

market pressures have driven inter-bank rates to a level where some prime borrowers are no longer using overdraft facilities to finance money-market positions.

Both the commercial banks and the Bank of England see these extreme pressures as temporary, and are therefore trying to accommodate them. Their efforts are unfortunately complicated by the knowledge that the distortions will tend to produce misleadingly high figures for money growth, and by the rapid rise in interest rates in the U.S. The pressures on sterling have so far been quite tolerable, but if the need should arise to smooth the downward adjustment which is both desirable and inevitable, conditions will become still tighter as more sterling flows into the hands of the authorities.

Necessary

In the longer run the demand for credit should abate, assuming that future figures confirm the marked slowdown in consumer credit demand evident in the latest figures. It is then desirable that both interest rates and the exchange rate should move down from their peak levels, bringing much-needed relief to industry.

For all these reasons, the Bank's present tactics should be read not as an abandonment of monetary restraint, but as a necessary attempt to negotiate a painful turning-point without unnecessary disruption. The outlook, as recent forecasts show, hardly calls for a punitive tightening of existing restraints.

For the future, however, it should be noted how far our present difficulties arise out of our own rickety system of monetary control. The crisis-ridden cycle of funding not only produces such domestic incidents; the offer of huge sums in high-coupon long stocks has helped to provoke the capital inflows which have raised the exchange rate some 7 per cent from the level at which it would have been held within the EMS after the revaluation last September. The promised reform of monetary control now looks at least as urgent as the fiscal correction which is to be expected from the Budget.

Clearing banks' embarrassment of riches

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE BIG four London clearing banks are embarrassed by the greatly increased profits they are now having to report. They are finding it difficult to explain why they should be entitled to hold on to profits which have jumped 70 per cent in one case and 90 per cent in another, largely as a result of a fortuitous and Government-inspired rise in bank base rates.

The two banks which have reported so far have resorted to that expedient increasingly popular among highly profitable companies of emphasising inflation-adjusted profits instead. They also exhibit a reluctance to give any quantification of the benefit they gain from rising interest rates throughout the year on their interest-free current account deposits. This is the so-called "endowment" element of clearing banking in the UK. Put simply, it means that the banks do not have to pay any more for current deposits, beyond the costs of collection, while they are able to lend these funds out at higher interest rates. Could it be that the solution to the problem of fluctuating bank profits would be to pay interest on these current accounts?

Head office briefing

The clearing banks cannot say that they have been unprepared for the political risk which has tended to become a regular feature of the clearing bank reporting season during periods of much increased profits. On the contrary, it is a safe bet that every bank manager in the country has had a briefing note from head office outlining the best way to handle nasty questions from customers and the media.

The explanations given are probably the same as those given at the banks' Press conferences. Here inflation-adjusted profits probably receive most emphasis backed up by the claim that the banks need every penny of these profits to maintain a minimum level of gearing between shareholders' funds, and customers' and other deposits. Reference to the cyclical nature of bank profits is also common, and the imprudence of the secondary banking crash in 1973-74 provides good corroborative evidence for the majority of the clearers. Another argument is that the country needs a sound and profitable banking system, "which would leave his money with us if we reported a loss" one clearer asked yesterday.

All of these are sound points, and have their merits. But a credibility problem persists—partly because the clearers are so bad at communicating. It is impossible, for example, to obtain UK profit figures from the big four for any of the past five years. The best indicators journalists have been able to obtain are approximate percentages. These, like the inflation-adjusted accounts, are unaudited and rarely are they clearly defined. To take one example: at its Press conference Lloyds Bank said that UK profits were

up 70 per cent on last year. The bank later agreed that a more accurate figure for the UK profits increase would be 90 per cent. It all depends on how you define the UK.

Again, the banks' use of inflation-adjusted figures might have been more convincing if they had been able to come up with profits estimated on this basis over the past five years. After all, stockbrokers such as Phillips and Drew attempt to forecast most companies' future inflation-adjusted results for a year or two ahead.

This is part of the problem, which is of the banks' own creation. They also exhibit a reluctance to give any quantification of the benefit they gain from rising interest rates throughout the year on their interest-free current account deposits. This is the so-called "endowment" element of clearing banking in the UK. Put simply, it means that the banks do not have to pay any more for current deposits, beyond the costs of collection, while they are able to lend these funds out at higher interest rates. Could it be that the solution to the problem of fluctuating bank profits would be to pay interest on these current accounts?

At least one of the big four clearing banks has been considering doing this over the past month, but has yet to make a decision. Other banks have considered such a move from time to time, but it is probably fair to say that there is a general reluctance to abandon the present system, which has not really failed the banks yet.

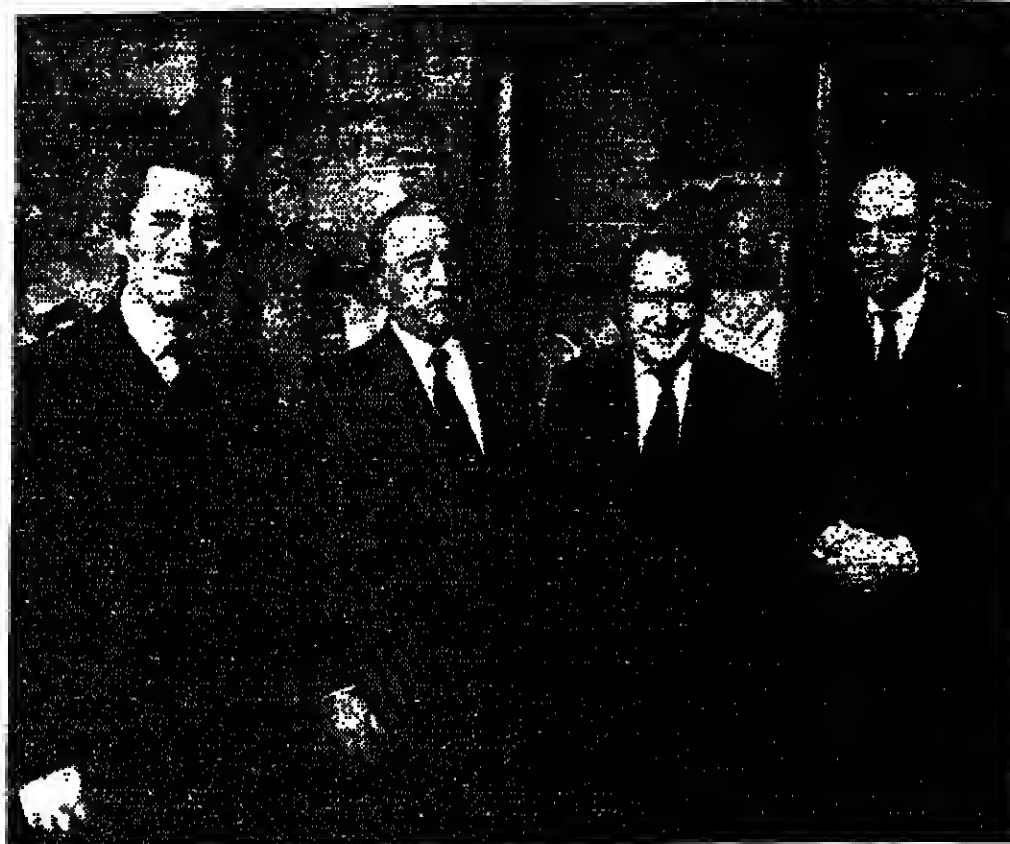
The payment of interest on

current accounts is not a revolutionary idea. It is common for banks to do so in several European countries, and the practice is now developing in the U.S. Even in the UK the Co-op Bank once had such a scheme.

In a small, but significant, way the clearing banks have already recognised that current account customers should be rewarded for their funds. Thus they make a notional allowance against the bank charges applicable on current accounts, so that only one in three customers has to pay bank charges.

The notional allowance suffers from one great disadvantage. It does not fully reward people for deposits where the interest applicable is greater than the amount of the bank charges. Overall, as this year's profits demonstrate, it leaves the banks with an opportunity to make increased profits when interest rates rise, without having to pay significantly more for the use of their funds. Only a small proportion of customers has taken the initiative of switching over from current to deposit account.

One of the reasons why clearing banks are reluctant to pay interest on current accounts is the series of consequences this would have throughout the clearing bank system. To start with, customers would have to be charged more for services which they receive at present at a subsidised price. This, in turn, would focus more attention on the costs of banking. It might well hasten the rationalisation of the retail banking system which many bankers say is long overdue.



The chairmen of the big four clearing banks: (left to right) Mr. Robin Leigh-Pemberton, National Westminster Bank; Sir Anthony Tuke, Barclays Bank; Lord Armstrong, Midland Bank; Sir Jeremy Morse, Lloyds Bank.

The clearers say they are already tackling the cost problem in the expectation of much lower interest rates next year or later. Experiments under include a conversion of bank branches into friendlier service offices, the centralisation of back-up services, such as customer accounts, on a regional basis, and a concentration of bank management at larger branches more suited to the corporate market. All the banks have also been promoting the use of "plastic money" in the form of credit cards and, more recently they have been installing cash dispensers which provide access to cash outside normal banking hours.

Related to the problems of current account interest and increased automation in banking is that of the "unbanked" population, for about half the country's adults do not have an account with a clearing bank. Most of them are weekly wage-earners, according to the banks.

The clearing banks realise that they will have to tackle the

unbanked part of the population sooner, rather than later—for both economic and social reasons. They admit, however, that, as things stand, they would not be equipped to cope with a vast influx of new personal bank customers.

Why do so many people not have a bank account? Reasons cited include the UK class system, where the clearing banks are seen, and probably have seen themselves, as the banks of the middle class, the "Truck Act," which entitles weekly wage-earners to receive their wages in cash, and trade union attitudes.

Once the clearing banks go after the unbanked market, the payment of interest on current account could be an important factor in success or failure, bankers say. One view is that current account interest would add another deterrent to tackling the unbanked, since the banks reckon that such a pansion would not be profitable so long as wages are paid weekly. But the opposite view is also held, namely that interest payments could be an important sales feature in the banks' marketing campaign, both in the banked and unbanked sectors.

Strangely, clearing banks believe there would be strong resistance within the banked part of the population, to the payment of interest on current accounts. The main reason is that the interest would be taxable and would have to be reported annually to the Inland Revenue. It must be a matter of judgment whether millions of current account holders would prefer not to receive interest, which in many cases could run to significant amounts, for the sake of the administrative convenience of not having to enter the interest on their tax returns, and of not paying over part of it in the Revenue.

If a clearing bank were to introduce interest on current accounts, the problem might be overcome by giving people the option not to receive interest if they wished. It seems unlikely that in such circumstances the Inland Revenue would seek to assess customers on a notional interest payment.

It should also be possible to design a scheme in which interest would become payable

only when the level of interest rates makes it economic to do so. Assuming bank estimates are correct, it now costs about 8½ per cent to collect current account money, so the banks should be able to start paying interest at some suitable margin above this, say, when base rates are above 8 per cent.

Unless the clearers can move to become more flexible in such ways, the retail banking system will continue to suffer from serious structural defects. In particular, there is much cross-subsidisation, as between one group of customers and another, and thus the pricing tariff penalises one type of customer at the expense of another. At present the real cost of processing a cheque transaction is about 30p—roughly twice that which the banks pass on to customers.

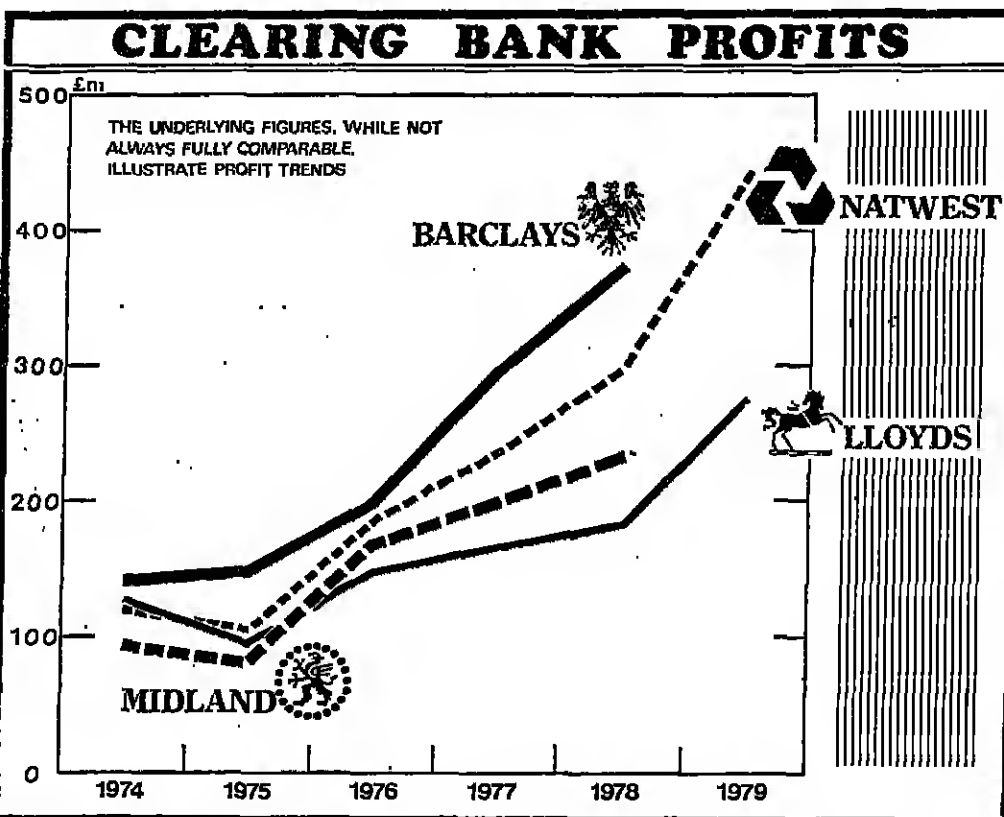
Beneficiaries of system

People who benefit from the present system under high interest rates are most obviously those who maintain small current account balances and use their accounts a great deal. The main losers are the people with large balances and relatively infrequent account use. The clearing banks are open to potential competition for the latter group. It would not be very difficult for an American bank, for example, to offer a current account banking scheme which appealed to it.

During periods of low interest rates, on the other hand, the clearers are at a relative disadvantage to the building societies, which generally offer better interest rates, and which have made great strides in attracting personal deposits over recent years.

It is understandable that the clearers should be embarrassed by their profits bonanza. Their large "windfall" profits have been made on the back of rising interest rates, for which they have borne no additional costs. When interest rates fall the "bonanza" will be on the other foot.

This is so because the bank run a retail system which is no flexible, and which needs to become more flexible before the bad times come.



MEN AND MATTERS

Hunters win HMG approval

With two of our main state-owned corporate bodies in the market for new heads, and many other companies apparently in dire need of a transplant, it seems hardly surprising that Britain's executive search industry is flourishing.

Official patronage is also helping. I hear from Christopher Wysocki, managing director of searchers Wrightson Wood, The Government's use of headhunters in its search for a new chief at British Steel signifies "a marked change of attitude," he tells me.

Wrightson's own London-based business, started with Lord Birdwood and backed by Guinness Peat, is making great strides forward only five months after its foundation. A Bristol bureau has just been opened and in the next three months followed by two more in the regions by the end of the year. He is on the verge of signing up in a joint venture with New Yorkers, Haskell and Stern, and plans to establish a base in the Far East. The whole network will be primarily concerned with plugging the gaps—and creating a few—in British management.

In the overseas ventures a major task will be to travel around local industry seeking out home-based expatriate executives with the aim of repatriating them as comfortably as possible. Wood has firm views on technique, shunning the "cocktail party" approach, and is convinced that the Government is not looking in the right places for the people to lead its own enterprises. "There is an enormous amount of high-quality material one level below that which is normally in touch with high-ranking Government officials," he says. "In the mid-forties, age range there is a wealth of top-class talent. If you want Angus Murrays, there are plenty around—and 10 years younger into the bargain."



"I'll say this for Election Year—he's changing his mind much more decisively these days."

Takeoff

The family crest, featuring a mallet (star) emblem, seems to herald a bright future for Vivian Baring and Partners. All the brighter, perhaps, since their new venture, Wings Aviation, is backed by the reputation of the Earl of Cromer, former Governor of the Bank of England. Baring is the Earl's younger son, and papa is one of the partners.

The lanky, fresh-faced Baring offers all that is required for the man who finds travelling with the masses tiresome and time-consuming. He claims to have access to about 1,000 planes, from big jets for company flights to bubble helicopters "for farmers and sporting people."

Hobby-pilot Baring explains that all the initial finance, the grand sum of £5,000 over the past two years, has come from his partner Mike Wenninck, formerly training captain with the Royal Air Force, who went to the wall last week. The operation will apparently be run on a shoe-string at first,

mostly by Baring, who will sit at the telephone in the family seat, advertising via a home-made mailing list. Much interest naturally focused yesterday on the famous name. Arriving late for the company's launching party, having taken a scheduled flight from Jersey, the Earl entered unnoticed, however. "And what exactly is the Earl's connection with the firm?" Baring was asked. "Paraphrase, in any sense you might name, a distinguished voice from the back."

Separate planes

An understandable reticence descends when the practical ramifications of the new friendship between Israel and Egypt are discussed—an understandable not least because of the Palestinian guerrillas' threat to shoot down any planes flying between Tel Aviv and Cairo.

El Al, however, has decided to go ahead and offer a service. Egyptair has not. Why not? "I would prefer not to answer that question," said an Egyptian spokesman in London yesterday. "It is politically loaded." However an airforce of which no-one seems to have heard before, called Lotus Airlines, is starting a service from Cairo to Tel Aviv today. "It is a separate company in the private sector especially set up to carry passengers on this route. It has no connection with Egyptair," I was told. "We have ceded the rights to this route." Quite why, at that event, is behind Lotus Airlines, remains something of an enigma.

Hidden treasure

My nomination for no-topper of the week goes to Swiss parliamentarian Kurt Schuele, who is campaigning to wrest from the gnomish grasp of the Government a treasure trove of non-circulated gold coins gathering dust in the national bank's vaults. He wants the 21m coins, struck in the late fifties, to be

put on the market and the income to be used for special economic and monetary programmes.

Schuele paints a tempting picture of the potential rewards. Down on the bank's books as worth a mere £183m, the 25 and 50 franc pieces must today be worth something like £1.2bn in metal alone—not to mention the probability of kruggerand-scale premiums and the £78m the Government would claw back in turnover tax on sales. The valiant campaigner, who has so far been met with stony silence from the bank and Government, tells my informant: "Hoarding gold is senseless." Had he said that six months ago I suspect by now he would have been looking for a job.

Gee man, thanks

Police are not generally noted for their contribution to Art, but last night a U.S. cop—William Webster, director of the FBI—received the twelfth annual cultural award of the Recording Industry Association of America. Far from discovering a prominent singing policeman, the record producers were thanking Webster and his G-men for combating the \$400m pirating, counterfeiting, and bootlegging industry. Last year the police managed to confiscate a grand total of \$50m-worth of illegal recording equipment, tapes and records.

Name game

Bored Foreign Office bureaucrats found time during the last few months to work out that Mugabe spelt backwards has a distinctly Yorkshire ring to it: e-u-a-gum. Someone with even more time on his hands has now worked out that, with a little doctoring, Bishop Abel Muzorewa can be turned into Ah rule Zimbabwe... oops.

Observer

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The rates explosion

THE CITY of Newcastle upon Tyne has announced the highest rate in Britain. That puts it at the head of the list of councils almost certain to be penalised by the Government for breaking maximum rate guidelines.

By proposing a rate of 178.5p in the pound, including precept contributed to county finances, Newcastle is further away than any other authority from the guideline of 119p in the pound set by Mr. Michael Heseltine, Environment Secretary. It will be followed by authorities like Sheffield and Doncaster outside London and Lambeth and Camden within the GLC. Many authorities have still to fix their rate. A number are now certain to go above 150p. It is around this level that Mr. Heseltine will probably draw the line and produce a list of 10 to 15 authorities to penalise.

The pattern emerging of those likely to be penalised so far is one of Labour councils with a tradition of high spending on items such as housing, education and social services because they are in inner city areas of high social need. Newcastle fits that pattern.

Authorities in this position could hardly avoid breaking the guidelines because general limits — or average as the Environment Department has now decided to call it — were set without considering the prevailing local rate or the extreme difficulties faced by some authorities.

The precise penalties to be applied remain unclear but they will take the form of a future claw back of part of the grant that central government makes to the finances of local authorities.

Rates in Newcastle in 1979-80 already exceeded the Government limit for 1980-81 and thus had no hope of achieving anything close to the 119p level for the coming year. On the other hand, staffing levels in Newcastle, as in other high spend-

ing authorities, have grown enormously since the local government reorganisation in 1974.

Local authorities fix their rate by each committee producing a draft budget for the next financial year. The budgets are then submitted by a resources and general purposes committee to a finance committee and must eventually be accepted by a full council vote. The rate is determined by the amount required to be raised after allowing for grant from the Government and income from

with balances now down to the perilously low level of £2.75m as against £180m gross annual expenditure, there was no possibility of another such raid.

It is noteworthy that high though rates are in Newcastle, their increase since 1974 has not kept up with the rate of inflation; neither has the Government grant.

The final figure for 1980-81 means that the city will receive £39.67m in rate support grant, leaving £55.78m net after all income to be met from rates. For ratepayers rises will vary

problems concerning high spending authorities in areas of high unemployment is the reluctance to probe public sector staffing levels because of the fear of redundancies.

With unemployment above 10 per cent, rising to 22 per cent in the area by the river, safeguarding every job is a priority.

The rundown of heavy engineering and shipbuilding has been severe and unless an order for 60 Chieftain tanks can be gained soon from the Ministry of Defence, the Vickers plant at Elswick will close with the loss of 1,500 jobs.

There are streets of well preserved Victorian buildings in the city, particularly Grey Street which includes the splendid Theatre Royal, third home of the Royal Shakespeare Company, but the quality of some newer buildings in nearby residential areas already marks them as the slums of tomorrow.

In common with many other inner city urban areas Newcastle faced the need for extensive slum clearance and redevelopment after the war. Mr. Beecham admits that under both Labour and Tory councils, dealing with it has been "a catalogue of disasters".

Housing built in the Noble Street scheme in 1955 was of such poor quality that it has already been demolished. The

ratepayers will be paying the debt charge until AD 2016. Poor standards, use of wrong materials, fancy but impracticable design, "rip-offs" by private builders and impossible cost yardsticks have all been blamed for the troubles encountered in providing 52,000 council homes.

As all plans have to be approved by city architects' departments and housing committees there would appear to have been some serious errors of management and control.

The local ombudsman has found the city council guilty of maladministration in one area. Rye Hill West, a maisoncelle in Newcastle. Since 1968 more than £2m has been spent trying to remove three streets of houses and a solution is no nearer.

One sector where jobs have not been lost is in the council. The number of employees has risen from 15,000 in 1930, an increase of a third, in six years. There is strong resistance to the notion that there might be a case for looking at what they are all doing, whether they could do it better — or whether it needs doing at all.

This is part of the general question of how the city manages its affairs. Take, for instance, the provision of housing. There are streets of well preserved Victorian buildings in the city, particularly Grey Street which includes the splendid Theatre Royal, third home of the Royal Shakespeare Company, but the quality of some newer buildings in nearby residential areas already marks them as the slums of tomorrow.

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This is part of the general question of how the city manages its affairs. Take, for instance, the provision of housing. There are streets of well preserved Victorian buildings in the city, particularly Grey Street which includes the splendid Theatre Royal, third home of the Royal Shakespeare Company, but the quality of some newer buildings in nearby residential areas already marks them as the slums of tomorrow.

In common with many other inner city urban areas Newcastle faced the need for extensive slum clearance and redevelopment after the war. Mr. Beecham admits that under both Labour and Tory councils, dealing with it has been "a catalogue of disasters".

Housing built in the Noble Street scheme in 1955 was of such poor quality that it has already been demolished. The

ratepayers will be paying the debt charge until AD 2016. Poor standards, use of wrong materials, fancy but impracticable design, "rip-offs" by private builders and impossible cost yardsticks have all been blamed for the troubles encountered in providing 52,000 council homes.

As all plans have to be approved by city architects' departments and housing committees there would appear to have been some serious errors of management and control.

A GLOSSARY OF THE RATING SYSTEM

Local authorities have two main sources of income: RATE SUPPORT GRANT from the Government which at present, on average, provides 61 per cent of local authority income; and the RATES which are a levy raised by each authority on domestic and industrial properties.

To assess it, each property is assigned a RATEABLE VALUE by a civil service valuer. It is the notional

rent per year that the property would command. The rate payable for each property is expressed in PENCE PER £. If the rate is fixed at 10 pence, it means that £110 have to be paid for every £100 of rateable value.

Part of the rate assessed goes towards the PRECEPT which is the payment the local authority makes to its county for the services it provides.

NEWCASTLE: INFLATION AND RATES

	Retail price index*	Support from Government* £m	Domestic rate* p
1974-75	100	100	20.9
1975-76	124	118	24.7
1976-77	147	127	26.5
1977-78	173	131	27.4
1978-79	187	141	29.4
1979-80	205	160	33.5
1980-81	244	190	39.7

* Index figures calculated on base of 1 April 1974 = 100
† Assumes increase of 1.5 per cent per month to April 1980

rents, dues and the like. Local authorities are obliged to finish their budget debates and fix their rate for the next financial year by March 21.

Newcastle proposes to raise its rate for 1980-81 from 94p to 126.5p in the £, an increase of 34 per cent, and when the city's contribution to the county finances is added the final rate will be 178.5p. That will compare with 133p in 1979-80.

The committee draft budgets for 1980-81 show that the city came to the top of the rates league table through the knock-on effect of high spending in social areas in previous years, aggravated by inflation. In 1976-77 and 1977-78 the city was able to draw on accumulated balances to hold its rate. But

from about £4 a month more for average council tenants to about £18 a month for a four-bedroom detached house with a rateable value of £400.

The council has managed to cut its original budget proposals by £4m, rejecting further options which would have raised that figure to £7m — probably still not enough to convince Mr. Heseltine that real efforts had been made to eliminate it.

It is on the fundamental issue of whether allowing for all the special problems relating to inner urban areas — Newcastle is spending too much because of poor costs control and excessive staffing levels that the decision on penalties will rest.

One of the most serious borrowing requirement in 1980-81 that was seriously anticipated. Nowhere did I find this described as "nonsensical".

Yet when the ITEM club, using the Treasury model and with similar policy assumptions plus a fairly accurate prediction of the oil price rise over the next 12 months, in October, a much-discussed large draft in public borrowing, your leader on November 23 called this "nonsensical".

We must, of course, await the outcome to see what actually happens. But it does seem that you should perhaps be less sceptical of the value of private use of the Treasury model.

Brian Reading,
10, Chesterfield Street, W1.

revenue will produce an additional £4.6bn. This sum would be sufficient to reduce the basic rate of income-tax from 30 per cent to 25 per cent (£2.5bn), to abolish both the investment income surcharge £0.3bn and capital gains tax £0.6bn and to reduce public-sector borrowing requirements to £8bn.

That no economist or economic commentator takes this optimistic view is not because there is any doubt that the additional revenue will accrue to the Government, but the expectation that as usual the growth of public expenditure will substantially absorb this windfall.

Anthony Jacobs,
31, Clarence Terrace, NW1.

Letters to the Editor

Imports of carpets

From Mr. S. Stewart
Sir—The reason why the Government have not made the "realistic response" demanded by Mr. R. O'Sullivan (February 29) to the "compelling case" for a tariff on imports of tufted carpets from the United States — equal to the difference between British and American energy prices — is simply that the problem has nothing to do with energy prices.

The British industry is already protected from American competition by a tariff of 23 per cent plus 3.45 per cent extra VAT (on top of the duty) plus transport costs. The first two amounted to £343 on the average landed price of £1,297 per tonne for imports from the U.S. in 1979. The difference in British and American oil prices in the first half of 1979 was less than £7 per tonne.

The Department of Trade says that in some nylon tufted carpets the nylon pile accounts for about 40 per cent of the selling price. The proportion by weight is presumably significantly less. One tonne of carpet yarn requires about 2.5 tonnes of naphtha. Less than one ton of naphtha is required to make a tonne of carpet.

The division of a barrel of oil between naphtha and other petroleum products can be varied to meet market conditions. In 1979 the refinery margin was only 2.8 per cent. In the third quarter of 1979 it was no less than £47.3 per tonne, an increase of 2628 per cent.

In 1979 imports from the EEC were twice as large as from the U.S. The average price per tonne was 15 per cent less than the American price (taking account of the duty/tax). The price per square metre was 21 per cent less. British exports for were astonishingly 5 per cent less than the American price by weight and 18 per cent by area.

The real problem is that since the fourth quarter of 1976 the real exchange rate of sterling against the dollar has risen 45-50 per cent to the detriment of British industries which depend for competitiveness on long runs. The problem in the case of carpets is compounded by the cartels which undoubtedly exist at earlier stages in the production process, but this is secondary to the damage which is being caused to this and every other industry making internationally tradable goods by the monetary and exchange rate policies pursued by successive Chancellors.

Stanley Oliver
(Senior Lecturer),
Department of Business Studies and Management,
Salford College of Technology,
Salford, Lancs.

Using credit cards

From Mr. D. Jackson
Sir—Mr. Kreamer (March 3) chooses to make light of the point I am making. Surely he does not consider it is right that people should be encouraged to borrow money at interest rates of over 30 per cent annum.

I am not saying credit cards are bad as long as they are settled at the end of each month when no charge is made for interest, but my point is that people are not encouraged to do this. The "free" credit

Industrial designers

From Mr. S. Oliver
Sir—Industrial design is concerned with the aesthetic and economic planning which takes place before an artifact is produced within an industrial context.

The industrial designer, in the practical interpretation (in common usage) operates at the interface between conventional engineering design (which tends to concentrate upon functional design, specification, demands such as stressing and power transmission) and the manufacturing area—working closely with specialists in production technology, market research (designing the brief), packaging, quality control, safety, servicing, and through such agencies as value engineering committees.

The industrial designer gives much attention to such aspects as appearance and ergonomics in order to achieve the double objective of consumer satisfaction and manufacturing economy. The industrial designer is concerned with the "totality of the product" and thus, seeks to integrate the whole effort to secure customer demand and satisfaction. Engineers should thus be encouraged to see the "totality of the product".

The head of a polytechnic engineering department recently remarked that industrial design was a postgraduate activity. Nothing could be further from the truth. Engineering design must be fully integrated at all stages of engineering degree courses, just as it must permeate all levels of engineering design organisations.

There is surely a case for giving a much-needed boost to industrial design in this country and for the industrial design organisation to report directly to the chief executive and work in tandem with "conventional engineering design". In this way, it will not become integrated and lost in the whole.

Stanley Oliver
(Senior Lecturer),
Department of Business Studies and Management,
Salford College of Technology,
Salford, Lancs.

Public sector borrowing

From the Chairman,
Independent Treasury
Economic Model Club

Sir—I was intrigued to read Samuel Brittan's and Peter Riddell's joint front page article on February 28 reporting the Treasury's new prediction of a sharply lower public sector

£3bn margin of error

From Mr. R. O'Keefe
Sir—Dr. Heller (March 3) on the margin of error in the public sector borrowing requirement (PSBR) is merely the difference between public sector receipts and public expenditure—both of these amounting to approximately £100bn. Thus, if public sector receipts are £96bn and public expenditure is £100bn, the PSBR is £4bn. It follows, therefore, that an error of only 3 per cent in either the receipts or the expenditure figures could lead to a £3bn error in PSBR.

The 3 per cent error is well within the margin of 2.5 per cent quoted by Dr. Heller as acceptable. To be "left breathless" by a supposed error of 35 per cent is to have misunderstood the problem.

After many years of wrestling with the difficulties of planning in the public and private sectors, I am still amazed that so many people fail to appreciate the problems that arise from having to take decisions on figures which are themselves relatively small differences between very large numbers and so are subject to considerable error.

R. O'Keefe,
14, Hillyard Road, Oxford,
Nr. Sreenoaks, Kent.

Not all doom and gloom

From Mr. A. Jacobs
Sir—Samuel Brittan (February 28) appears to be the only economic commentator to recognise that all is not "doom and gloom" for the UK viewed from both a short-term and medium-term perspective.

In calculating the prospects for the forthcoming Budget no one else appears to take into account that there are two sources of revenue the Government will receive in 1980-81 which are outside the normal calculations of inflationary increases. The full indexation of personal allowances is merely a self-balancing effort to offset the effects of fiscal drag. If the Government is moderately successful in reducing public expenditure then the expectation must be that the public-sector borrowing requirement will be around £9bn.

The mystery that exists is why other economic commentators have not taken into account those two large additional sources of revenue, namely a full year's VAT (as opposed to six months in the current year) and the vast additional income from oil which will accrue to the Government in 1980-81. Together, these two sources of

Compensation system

From the Deputy Director,
General Confederation of
British Industry

Sir—Mr. McRobb (February 28) asks for the CBI's views on what he rightly describes as two thorny problems arising out of the draft EEC directive.

I regret that I cannot help him since, as our full comments make clear, we regard the uncertainties over the meaning of "identical" and on the position of component manufacturers to be examples of deficiencies in the draft itself. However plausible its principles may appear at first sight, there are severe difficulties in putting them into practice. That is why we have called for a complete rethink, taking full account of the work put into the U.S. Model Act. The U.S. authorities have gone into the subject in much greater detail than the draft directive, and explicitly recognised that tort law is not a suitable basis for the sort of compensation system which the European Commission is really seeking to introduce.

Bryan Rigby,
21, Totter Street, SW1.

Product liability

From Mr. T. Marriott
Sir—Although not representing the Confederation of British Industry, perhaps I could reply to Mr. McRobb (February 29).

With regard to his first point on product liability, the word "identical" is in fact a translation from German. The directive was drafted in German but unfortunately the German word does not mean exactly identical and there does not seem to be an absolute equivalent in English. The problem is to devise a phrase which will accurately represent the intention in the original and yet translate into all six languages of the Community.

With regard to the second problem, the manufacturer of a component will not be liable unless there is a defect in his component and the mere fact that the producer of the final product may have misused it so that the final product is defective places the responsibility on that producer and not on the manufacturer of the component.

T. W. Marriott,
13, Clarendon Road,
Norwich, Norfolk.

Today's Events

GENERAL National Economic Development Council meeting: TUC presents 1980 economic review: Mr. Gordon Richardson, Governor of the Bank of England, becomes NEDC member.

Sir Keith Joseph, Industry Secretary, speaks at Timber Trades Federation annual dinner, London.

Iron and Steel Trades Confederation, National Union of Blastfurnacemen, Transport and General Workers Union, General and Municipal Workers Union and craft unions, delegates conference to consider ways of intensifying steel strike.

Mr. John Connors Carr, CBI consultant, speaks on product liability—a growing concern, Building Centre Bristol.

Overseas Her Majesty's Consul, West German Embassy, meets President Jimmy Carter in Washington to discuss world problems, especially South East Asia.

President Valéry Giscard d'Estaing of France starts two-day visit to United Arab Emirates.

OECD Agriculture Ministers meet in Paris for two days.

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Science and Arts: Scottish Affairs, Foreign Affairs: Industry and Trade: Transport: Employment: and Public Accounts Select Committees meet.

COMPANY MEETINGS Blundell, Permoglaze, Connaught Rooms, Great Queen Street, W. 2. Leys Foundries, Colchester, Essex. Derby, 12, Marley, London Road, Riverhead, Sevenoaks, Kent, 12.

COMPANY RESULTS Final dividends: Family Investment Trust. Kodak International. Pblcom. Interim dividends: A&T, Matthew Clark Holdings. Consolidated Gold.

Select Committees: Education, Fields, Crossfairs Trust.

These are the reasons why Volvo trucks are more economical.

More than anything the proof of Volvo economy is summed up in independent road tests.

"... knocks all economy records into a cocked hat..." Commercial Motor

"... surpassed all previous fuel economy figures..." Motor Transport

"... excelled on fuel economy, treating the stuff like nasty medicine and swallowing the barest minimum..." Truck Magazine

Let's be honest, there's nothing mysterious about getting good operating economy. The real answers, like the problems, still lie in the basics: the truck, the driver and the back-up services.

The truck
A truck with a mismatched driveline for instance, can mean a 25% increase in fuel consumption.

That's why we design and manufacture

all major components for our heavy trucks ourselves.

And, because turbocharging reduces fuel consumption by as much as 10%, we introduced it to Volvo engines 25 years ago.

So when you choose Volvo, you'll know you're specifying the right truck.

The driver
Amazingly, incorrect driving techniques can increase fuel consumption by 50%!

Which is why Volvo's rev counters have markings which show the best range for the most thrifty performance.

Just one indication of our total commitment to driver safety, comfort and clear, easy-to-use instrumentation.

The back-up
Back-up is one of the most vital factors influencing operating economy.

41 Volvo truck centres nationwide offer: First class service and maintenance facilities.

Excellent parts availability. Action Volvo 24 hour

rescue service. And the Volvo Service Exchange System

which not only saves on workshop time and parts stocking but can also mean a 50% saving on the parts themselves.

These are just some of the reasons for Volvo economy. Add them together, then include a Volvo truck's exceptional re-sale value and the total saving is very significant.

VOLVO

The truck other trucks

UK COMPANY NEWS

Unilever disappoints as exchange rates bite

COMBINED attributable profits of Unilever rose from £63m to £55.9m in the fourth quarter of 1979 giving a total for the year of £213.3m compared with £272.8m. The fourth quarter figure in 1979 is after deducting £4.8m differences on recalculation of results at 1979 closing exchange rates.

Profit for 1979 shows an increase of 15 per cent on closing rates or 21 per cent on comparable rates. The year's result was split as to increased contributions from £178.5m (£151.9m) and £36.9m (£30.9m) from NV. In the fourth quarter, the two sides turned in £59.6m (£42m) and £26.3m (£21m) respectively.

However combined pre-tax profit at the year-end amounted to £206.1m against £208.9m. The directors say the trends have been influenced by the changes in exchange rates during the year. Results and earnings per share for the 1979 year have been calculated at the closing rates for 1979 while the previous year's figures are based on the closing rates for 1978.

Unilever Ltd. stated earnings per share for the fourth quarter as 23.12p (18.96p) and £4.37p (73.44p) for the year. The NV earnings are 6.51 guineas (4.51 guineas) and 23.74 (18.31) guineas at the year-end. Ltd. and NV are proposing final dividends of 15.11p and £1.83 respectively bringing the totals up from £26.7p to £4.05p and from £1.83 to £1.88.

In the fourth quarter, combined sales rose from £2.50bn to £2.92bn giving a year's total of £10.25bn against £9.94bn. Total sales value, in the final quarter was 13 per cent higher than in the same 1978 period of which 2.5 per cent came from higher volume.

In Europe total operating profit was lower than in 1978, mainly because National Starch has now been included for the full year. Lipton had a good year but Lever Brothers is still operating at a loss.

HIGHLIGHTS

The Lex column briefly discusses the continuing turmoil in world interest rates following yesterday's 17 1/2 per cent U.S. primes and the rise in London money rates to 13 per cent. The column also looks at four company stories. Unilever has disappointed with pre-tax profits down 1 per cent after a £25m currency adjustment. Burmah Oil has repaid £70m to the Bank of England. Trusthouse Forte has published a strong balance sheet and appears to be preparing for a major U.S. acquisition. Finally Grindlays is proposing to refinance some loan capital originally provided through Lloyds Bank which may mean that suggestions of a major restructuring are wide of the mark. On the inside pages the news from Liden is that the rescue attempt seems to have failed. Thomas Tilling is making another U.S. acquisition and there are comments on Link House, Diploma, Provident, Rentokil and British Vita.

For the year as a whole, total sales value rose by 12 per cent. At comparable rates of exchange, the volume rise was some 34 per cent. In Europe, total operating profit remained at about last year's level as better results in some product groups, notably frozen products, sundry foods and drinks, detergents, chemicals and transport, were offset by lower profits of the edible fats business and by lower export earnings from the UK, the directors say.

Results from the U.S. in total, showed an improvement. UAC International's profits were still below those of 1978 but there are signs of a slow recovery. Costs of reorganisations, mainly in the UK, are included in non-recurring items. Higher interest rates and a reduction in net liquid funds led to an increase in interest charges. Taxation was unusually low because of UK stock relief in respect of the whole year.

In the U.S., profits were much higher than in 1978, mainly because National Starch has now been included for the full year. Lipton had a good year but Lever Brothers is still operating at a loss. Stock relief in respect of 1978, which is not expected to be subject to clawback, reduces the fourth quarter and year's tax charge by £20m.

comment Link House's reticence over prospects in its new issue certainly did not imply any dark secrets for the company has begun its public reporting career with an encouraging set of figures. The advertising periodicals which provide the bulk of the group's profits have fared ahead in the first six months, with Industrial Exchange and Mart worthy of special mention, and these publications are still achieving advertising volume gains after two months of the second half. The position is less buoyant for the monthly magazines, however, where advertising is proving a little slower to attract than last year. Meanwhile the book side is sharing the troubles of the rest of the book publishing industry, but it only represents a small part of the group. Link House is heading for comfortably over £4m pre-tax for the full year, and although the prospective p/e is above average at maybe 10 or so, the group's £3m cash cushion is a valuable support.

comment EDINBURGH INV. TST. REBORROWS The Edinburgh Investment Trust has repaid a loan of U.S.\$2m and has reborrowed U.S.\$1.5m, two-thirds in Deutschmarks and one-third in Swiss francs.

Grindlays Bank down to £18.8m at net level

Following the downturn in net profits from £9.98m to £7.88m at midway and the expectation of a lower profit for the year, Grindlays Bank, 51 per cent owned by Grindlays Holdings, reports a net profit of £18.78m for 1979 compared with £22.84m in the previous year.

The holding company is recommending a final dividend of 2.6875p to lift the total from 3.071p to 3.75p. Grindlays Bank has declared dividends for the year of £2.5m (£2.1m) and dividends receivable by the holding company amount to £1.25m (£1.04m).

Currency fluctuation which had an adverse effect on the bank results of £1.1m in 1978 also affected 1979 results amounting to £2.1m.

Profits are after tax of £14.4m (£15.38m) and provisions for doubtful debts which amounted to £5.78m in 1978 and £1.64m in 1979. The directors say the net amount required last year benefited from a substantial recovery in respect of banking business undertaken with Argentinian customers about nine years ago.

comment IN SPITE of a strong second-half recovery, pre-tax profits of Provident Financial Group were down from £10.73m to £9.3m for the year to December 31, 1979. Profitability in the early part of the year was adversely affected by several unusual factors, including an arbitration award on agents' commission, high interest cost, and bad weather which influenced collections. Pre-tax profits in the first six months dropped from £4.1m to £2.7m from turnover up from £95.73m to £102.54m.

comment THE NEW backers of Liden (Holdings), the former wood, furniture manufacturer whose shares have been suspended for more than a year, have virtually abandoned all hope of revitalising the company as a trading concern.

has been added direct to published capital resources. Capital resources at December 31 were £151m. Grindlays Bank has revised its foreign exchange accounting policy. Translation gains/losses on overseas fixed assets which were formerly dealt with through profit and loss account are now dealt with direct through reserves.

This brings the group's policy into line with general UK accounting practice. Corresponding figures given for 1978 have been amended to recognise the revised policy. The effect of the change has been to charge to reserves translation losses on overseas fixed assets for 1978 to £1.8m and for 1979 of £0.8m respectively.

comment MARGINALLY HIGHER taxable profits of £31.88m for the year to October 27, 1979, against £31.17m previously, are reported by Courage, the brewing subsidiary of Imperial Group.

comment The directors say the severe winter and poor summer depressed trade. Sales were also hit in areas affected by industrial disputes and the petrol shortage which inhibited travel into holiday areas.

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comment Liden (Holdings) has about 2,000 shareholders, including ITC Pension Trust, which has a 5.8 per cent stake. The suspension price of the shares was 5p.

comment THE COLONIAL SECURITIES TRUST COMPANY, LIMITED Funds Employed £8.5m. Proposed Dividend per Deferred Stock Unit 10.5p, an increase of 16.7%.

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informed of the outcome. The bank's announcement about re-financing the subordinated loans is intended to remove at least one element of uncertainty. The Grindlays management remains committed to the view that the bank's future would be best served by it remaining an independent British bank.

Courage steady at £31.9m

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DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Current payment	Date of payment
Aquis Securities	0.5	May 1	0.5	May 1
British Vita	2.6	May 6	2.6	May 6
Diploma	2.5	April 10	2.5	April 10
Grindlays Bldgs.	2.69	April 25	2.69	April 25
Helene of London Int.	0.37	March 17	0.37	March 17
International Inv. Tst.	2.35	May 5	2.35	May 5
Link House	2.8	April 17	2.8	April 17
Provident Fin. 2nd Int.	4.25	April 18	4.25	April 18
Rentokil Group	1.4	May 27	1.4	May 27
Unilever Ltd.	15.11	May 27	15.11	May 27
Unilever NV	FL6.32	May 27	FL6.32	May 27

Rentokil profits surge to £13m

AGAINST the directors' mid-year forecast of profits in excess of £12m, the pre-tax surplus of Rentokil Group went ahead from £10.56m to £13.02m in the year to December 31, 1979. At the interim stage, profits were £5.81m against £5.05m.

comment The net dividend is lifted from 1.87p to 2.25p with a final of 1.4p.

comment Goode Durrant The directors of Goode Durrant and Murray Group look for continued progress in the future, helped by the company's wide geographic spread and diverse range of activities.

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Link House over £2m midterm

TAXABLE PROFITS of £2.14m, on turnover of £10.49m, are reported by Link House Publications for the half year to December 31, 1979—the company's first published results since it went public last October.

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Provident lower at year-end despite second half rally

comment IN SPITE of a strong second-half recovery, pre-tax profits of Provident Financial Group were down from £10.73m to £9.3m for the year to December 31, 1979. Profitability in the early part of the year was adversely affected by several unusual factors, including an arbitration award on agents' commission, high interest cost, and bad weather which influenced collections.

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Liden unlikely to emerge again as trading concern

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TRUSTHOUSE FORTE LIMITED

Results Year to 31st October 1979

	1979 £m	1978 £m	% Increase
Trading Receipts	721.0	613.8	17
Trading Profit	81.6	70.1	16
Profit before Taxation	68.2	55.5	23
Profit after Tax and minority interest	40.3	31.7	27
Earnings per share	20.0p	15.7p	27
Dividend per share	8p	5.32p	50
Dividend cover	2.5 times	3.0 times	

Record Trading Results again. Profit before taxation increased by 23% to £68.2m. Dividend increased by 50%. £59m. Cash at year-end. Earnings per share increased almost 6 times in past 5 years. The strength of the balance sheet and liquid position places us in a very strong position to ensure that the Group's enviable profit record is maintained.

You will find Trusthouse Forte Hotels in THE BAHAMAS, BAHRAIN, BARBADOS, BELGIUM, BERMUDA, GREAT BRITAIN, CANADA, FRANCE, GUYANA, IRELAND, JAMAICA, MALTA, MEXICO, MONACO, NETHERLANDS, PORTUGAL, SARDINIA, SAUDI ARABIA, SPAIN, SRI LANKA, TUNISIA, UNITED ARAB EMIRATES, U.S.A.

To book at any of our hotels, ring our reservation offices, on 01-567 3444 or 061-969 6111 or see your travel agent; or ring the hotel direct.

Yours faithfully TRUSTHOUSE FORTE

Copies of the Annual Report can be obtained from Secretary, 7 Hanover Square, London W1R 0PS

Drayton Montagu

Drayton Montagu Portfolio Management Limited

The following companies managed by Drayton Montagu have recently published their Directors' Report and Accounts in respect of the year to 31st December 1979 which show:

DRAYTON PREMIER INVESTMENT TRUST LIMITED	Funds Employed £79.7m. Proposed Dividend per Ordinary Share 8.8p, an increase of 18.9%.
DRAYTON COMMERCIAL INVESTMENT COMPANY LIMITED	Funds Employed £49.2m. Proposed Dividend per Ordinary Share 6.0p, an increase of 20.0%.
THE COLONIAL SECURITIES TRUST COMPANY, LIMITED	Funds Employed £8.5m. Proposed Dividend per Deferred Stock Unit 10.5p, an increase of 16.7%.
DRAYTON FAR EASTERN TRUST LIMITED	Funds Employed £6.6m. Proposed Dividend per Ordinary Share 1.125p, an increase of 9.8%.

Drayton Montagu Portfolio Management Limited 117 Old Broad Street, London EC2N 1AL

Please send me a copy of the Directors' Report and Accounts of

DRAYTON PREMIER INVESTMENT TRUST LIMITED ☐

DRAYTON COMMERCIAL INVESTMENT COMPANY LIMITED ☐

THE COLONIAL SECURITIES TRUST COMPANY, LIMITED ☐

DRAYTON FAR EASTERN TRUST LIMITED ☐

Name _____ Company _____

Address _____

Investment Division of Samuel Montagu & Co. Limited Ref: F.T. 5/3/80

Companies
and Markets **UK COMPANY NEWS****THF strongly placed to maintain profit growth**

THE STRENGTH of its balance sheet and liquidity places Trusthouse Forte in a very strong position to ensure that the group's profit record is maintained, says Lord Thorneycroft, the chairman.

The hotel, catering and leisure concern approaches the future with optimism, he tells members in his annual statement.

For the year ended October 31, 1979, turnover increased by 17 per cent to £107.2m while pre-tax profits were up 25 per cent to £68.3m. Earnings per 25p share rose from an adjusted 15.7p to 20p and the dividend is lifted 50 per cent to 8p net.

The negotiations in connection with the Criterion site at Piccadilly Circus have been protracted but the board anticipates that the commencement of the redevelopment is very close at hand.

The number of American tourists to Great Britain fell during the year but Lord Thorneycroft says the group was able to attract many more visitors from Europe and the Far East.

During the year, the group's cash resources increased from £56m to £59m, which the chair-

man says is a very healthy position at time of economic stringency.

This improvement was after a heavy capital expenditure programme on upgrading hotel bedrooms; a number of hotel bedroom extensions; the work currently in hand for the building of the new Haydock Pool House and the acquisition of property assets, notably the head lease of the Cumberland Hotel, London.

At October 31, 1979, capital expenditure amounted to £19.3m (£9.9m), of which £9m (£3.6m) had been approved by the board but not committed.

Fuller Smith plans to ease 'restrictions'

Financial advisers to Fuller, Smith and Turner, independent brewer, feel the present structure of security for the debentures issued under the trust deed dated July 18, 1962, is unnecessarily restrictive on the company and its future expansion.

The financial advisers, Field-

ing, Newton-Smith and Company, have been looking at Fuller's substantial growth in both net tangible assets and pre-tax profits since 1962 and more particularly since 1972, the date of the issue of the 10 and 15/16th debenture stock 1997.

They are recommending, therefore, three changes to the Board of Fuller and the changes are: to substitute for the 6 1/2 per cent debenture stock 1997-98 a 7 1/2 per cent first mortgage debenture stock 1998-99; to increase the rate of interest on the 10 1/16th per cent debenture stock 1997 to 11 per cent, and to substitute for the 13 1/2 per cent debenture stock 1998 a new 13 1/2 per cent first mortgage debenture stock 1998.

BTR lifts Australian profits

Increased sales and profits are reported by the two subsidiaries of BTR Australia for 1979.

Hopkins Otdum, in which BTR Australia holds a 54 per cent interest, hoisted sales by 71 per cent from A\$21.8m to A\$37.7m and more than doubled after-tax profits from A\$0.87m to A\$2m. A final dividend of 9 per cent (17.5 per cent) lifts the total payout to 17 per cent (12.5 per cent).

Hopkins plans to increase sales and profits during 1980, to improve productivity and to gain further benefits from acquisitions and rationalisations made in recent years. Orders on hand are substantially higher than at the same time last year and, with current projects in mining and energy fields, the growth pattern is expected to continue.

Kencord Holdings, 52 per cent owned by BTR Australia, improved sales by 10.5 per cent from A\$17.3m to A\$19.4m, while after-tax profits advanced over 21 per cent from A\$1.1m to A\$1.35m. A final payment of 5 cents makes a total of 10 cents, maintaining the 20 per cent annual rate.

The continuing low demand for cars in Australia makes the company cautious at the commencement of 1980. However, this year's plans provide for more growth in domestic car sales and for continuing development of additional products to further reduce the group's dependence on the automotive sector.

Professor Wilson commented on the upsurge in new developments in the pensions market. The industry had had a refreshing experience of two years without the announcement of any new or projected Government pension plans.

The industry had advanced more in technical progress during those two years than in the previous decade of uncertainty, he said.

The report and accounts of the company show that premium income advanced by one-third from £27m to £36.4m and investment income by over 30 per

cent from £17.3m to £22.8m in 1979.

Claim payments were 10 per cent ahead at £13.8m, while commission payments and other expenses were 20 per cent higher at £7.25m. The long-term business fund at the year-end amounted to £225m, against £189m at the beginning.

The valuation of assets at end-1979 showed the holdings in property up by £10m to £35.4m and gilt holdings by £35m to £80.2m. But the company's equity holdings remained virtually unchanged in value at £82m.

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Unilever in 1979

The Directors of Unilever announce the Companies' provisional results for the fourth quarter and for the year 1979, and their ordinary dividend proposals.

The results are subject to completion of the consolidated accounts and audit.

Exchange Rates

As has been our practice throughout the year the results for the fourth quarter and the comparative figures for 1978 have been calculated at comparable rates of exchange being based on £1 = Fl. 3.99 = U.S. \$2.03, which were the closing rates for 1978. Profit attributable to ordinary capital for the fourth quarter 1979 has also been recalculated at the closing rates for 1979 being based on £1 = Fl. 4.22 = U.S. \$2.22 which will be used for the Annual Accounts 1979.

The results and earnings per share for the full year 1979 have been calculated at the closing rates for 1979. The 1978 figures for the full year are based on the closing rates for 1978. The trends are therefore influenced by the changes in exchange rates during the year. For

comparison purposes the trends have also been shown based on comparable rates of exchange.

U.K. Stock Relief

Under the UK Finance (No. 2) Act 1979, enacted during the year, stock relief obtained in respect of the years 1973 and 1974 (£38m.) is no longer subject to clawback and the relief received in subsequent years (1975 to 1978 £77m.) will also become permanent if it is still outstanding at the end of a rolling six year period. We believe that clawback of stock relief for 1975 to 1978 is unlikely. We have therefore released the deferred taxation previously provided for stock relief in 1973 to 1978 (£115m.) as an extraordinary item. Stock relief in respect of 1979, which is not expected to be subject to clawback, reduces the fourth quarter and year's tax charge by £20m.

UNILEVER COMBINED RESULTS (£ millions)

Fourth Quarter 1979	Fourth Quarter 1978	Increase/(Decrease) 13%	Full Year 1979	Full Year 1978	Increase/(Decrease) Closing Rates 4%	Comparable Rates 12%
2,923	2,585		10,249	9,842		
1,115	1,040		4,058	4,004		
1,808	1,545		6,191	5,838		
153.7	150.9	2%	605.4	600.8	1%	8%
(11.6)	(10.9)		(1.0)	(12.5)		
8.8	13.5		42.3	64.3		
0.7	2.4		2.3	3.5		
(15.9)	(11.5)		(43.9)	(46.7)		
(16.1)	(14.3)		(62.5)	(50.9)		
0.2	2.8		18.6	4.2		
135.7	144.4	(6)%	605.1	609.4	(1)%	5%
(40.7)	(37.8)		(253.7)	(276.9)		
(3.9)	(6.8)		(20.5)	(31.1)		
2.9	(2.8)		3.3	(4.4)		
0.3	(0.4)		2.0	(3.2)		
(3.6)	(3.6)		(22.8)	(21.0)		
(2.6)	(2.6)		(19.0)	(17.0)		
(1.0)	(1.0)		(3.8)	(4.0)		
90.7	63.0	44%	313.4	272.8	15%	21%
(4.8)						
85.9	63.0	36%	313.4	272.8	15%	21%
59.6	42.0		176.5	151.9		
26.3	21.0		136.9	120.9		
23.12p	16.96p	36%	84.37p	73.44p	15%	21%
			115.3	—		
			428.7	272.8		
			(115.9)	(108.1)		
			(47.0)	(35.5)		
			(74.9)	(70.6)		
			312.8	166.7		

Results**Fourth Quarter 1979**

In this quarter total sales value was 13% higher than in the corresponding quarter of 1978, of which 2 1/2% arose from higher volume. In Europe total operating profit was lower than in 1978. Improvements in Sundry Foods and Drinks, Chemicals and Transport were more than offset by lower results in other groups, notably Edible Fats. Results in the United States in total showed an improvement. UAC International's profits were still below those of 1978 but there are signs of a slow recovery.

Costs of reorganisations, mainly in the United Kingdom, are included in non-recurring items. Higher interest rates and a reduction in net liquid funds led to an increase in interest charges. Taxation was unusually low because of United Kingdom stock relief in respect of the whole year.

Full Year 1979

For the year as a whole, total sales value rose by 12% at comparable rates of exchange; the volume rise was some 3 1/2%. In Europe total operating profit remained at about last year's level as better results in some product groups, notably Frozen Products, Sundry Foods and Drinks, Detergents, Chemicals and Transport, were offset by lower profits of the Edible Fats business and by lower export earnings from the United Kingdom.

In the United States profits were much higher than in 1978, mainly because National Starch has now been included for the full year. Lipton had a good year but Lever Brothers is still operating at a loss. The other overseas countries on the whole performed satisfactorily but results were affected by adverse exchange rate movements. UAC International however had a disappointing year, with results below those of 1978 due to difficult trading conditions. This is reflected in the lower figure for concern share of profits of associated companies which are a significant part of UAC International results.

The strengthening of sterling reduced results expressed in this currency calculated at closing rates.

Dividends

The Boards today resolved to recommend to the Annual General Meetings to be held on 14th May, 1980, the declaration of final dividends in respect of 1979 on the Ordinary capitals at the following rates, which are equivalent in value at today's rate of exchange in terms of the Equalisation Agreement between the two companies:

LIMITED

15.11p per original 26p Ordinary share (1978: 14.00p), bringing the total of LIMITED's dividend declarations for 1979 to 24.05p per share (1978: 22.67p).

N.V.

Fl. 6.32 per Fl. 20 Ordinary capital (1978: Fl. 5.40), bringing the total of N.V.'s dividend for 1979 to Fl. 9.88 per Fl. 20 Ordinary capital (1978: Fl. 8.80).

Together with the interim dividend declared in November 1979, the proposed final dividend will result in a total dividend for LIMITED for 1979 which is approximately 6% more than LIMITED's total dividend for 1978. The strengthening of sterling against the guilder in the context of the Equalisation Agreement is the cause of the greater percentage increase in N.V.'s total dividend.

The LIMITED final dividend will be paid on 27th May, 1980, to shareholders registered on 29th April, 1980.

The N.V. final dividend will be paid on 27th May, 1980.

Shareholders are reminded that for the purpose of equalising dividends under the Equalisation Agreement, ACT in respect of any dividend paid by LIMITED has to be treated as part of the dividend. If the effective rate of ACT applicable to payment of the final dividend is changed from the current rate of 3/7ths, the amount now announced will be adjusted accordingly and a further announcement made. LIMITED's total dividend declaration for 1978 of 22.67p is 0.75p higher than the previously published figure due to the reduction in the rate of ACT from 33/67ths to 3/7ths.

The Report and Accounts for 1979 will be published on 24th April, 1980.

4th March, 1980.

Unilever Quarterly Results are published in leaflet form. If you wish to be included in the mailing list for these leaflets please write to: Information Division, P.O. Box 58, Unilever House, London EC4P 4BQ.

Part of everyday life, in 75 countries.

BASE LENDING RATES

A.B.N. Bank	17%	Hambros Bank	17%
Allied Irish Bank	17%	Hill Samuel	17%
Amro Bank	17%	C. Hoare & Co.	17%
American Express Bk	17%	Hongkong & Shanghai	17%
Barclays Bank	17%	Industrial Bk. of Scot.	17%
Bank of America	17%	Kewer Ullmann	17%
Bank of Canada	17%	Kinnaird & Co. Ltd.	17%
Bank of Cyprus	17%	Lancaster Trust Ltd.	17%
Bank of N.S.W.	17%	Lloyds Bank	17%
Bank of Paris	17%	Edward & Mansel	17%
Bank of Rome	17%	Midland Bank	17%
Bank of St. Petersburg	17%	Samuel Montagu	17%
Bank of Tokyo	17%	Morgan Grenfell	17%
Bank of Vienna	17%	National Westminster	17%
Bank of Zurich	17%	Norwich General Trust	17%
Barclays Bank	17%	P. S. Refo & Co.	17%
Brenar Holdings Ltd	17%	Rossminster	17%
Briar Bank of Mid. East	17%	Ryl. Bk. Canada (Ltd.)	17%
Brown Shipley	17%	Schlesinger Limited	17%
Canada Permanent Trust	17%	E. Schwab	17%
Cazen Ltd.	17%	Securities Trust Co.	17%
Cedar Holdings	17%	Standard Chartered	17%
Charterhouse Japhet	17%	Trade Dev. Bank	17%
Chorlton	17%	Trustee Savings Bank	17%
Citibank	17%	Twentieth Century Bk.	17%
E. Croates	17%	United Bank of Kuwait	17%
Consolidated Credits	17%	Whiteaway Ltd	17%
Co-operative Bank	17%	Williams & Glyn's	17%
Corinthian Secs.	17%	Wintour, Secs. Ltd.	17%
The Cyprus Popular Bk	17%	Yorkshire Bank	17%
Dunlop Bank	17%		
Eagle Trust	17%	Members of the Accepting Houses Committee	
E. T. Trust Limited	17%	7-day deposits 15%, 1-month deposits 15 1/2%	
First Nat. Fin. Corp.	17%	7-day deposits on sums of £10,000 and under 15%, up to £25,000 15 1/2%, and over £25,000 15 3/4%	
First Nat. Secs. Ltd.	17%	Call deposits over £1,000 15 1/2%	
Robert Fraser	17%	Demand deposits 15%	
Antony Gibbs	17%		
Greyhound Guaranty	17%		
Grindlays Bank	17%		
Guinness Mahon	17%		

Comalco to spend A\$28m on Bell Bay

AUSTRALIA'S Comalco, jointly controlled by Conzinc Riolinto of Australia and Kaiser Aluminum, is to spend A\$28m (£14.1m) over the next 18 months on upgrading its Bell Bay aluminium smelter in Tasmania.

Mr. M. R. Rayner, Comalco's chief executive, said in Hobart. "The money we are spending is to upgrade and improve performance of the plant. The increase in production is marginal compared with the capital cost involved."

The outdated original pitline No. 1 is to be shut down and the fourth pitline, which was commissioned in 1977, is to be extended. A total of 108 new pits will be installed to give a net increase in smelter capacity to 117,000 tonnes a year from 112,000 tonnes. The work is expected to be completed in June, 1981.

As reported here last month Comalco enjoyed a buoyant demand for aluminium in 1979 and had to purchase some in order to meet export contracts.

After a A\$10.2m profit on the sale of investments, the company lifted its earnings to A\$58.1m against A\$37.4m in 1978.

AYER HITAM'S LOWER PROFIT

Reflecting a fall in tin concentrate production, net profits of Ayer Hitam for the half year to December 31 have dropped to M\$3.2m or 84 sen per share, (1977: M\$5.6m or M\$5.6m in the same period of 1977. The total for the year to last June was M\$7.1m.

The interim dividend for the current year to next June is reduced to 90 sen (18.2p) less tax at 40 per cent, compared with 150 sen a year ago. The 1978 final was 140 sen.

Provided that there is no further marked fall in production Ayer Hitam should do better in the current half year in view of the strength of tin prices.

Yesterday the Penang price was M\$2.361 per picul compared with an average of M\$1.971 in Ayer Hitam's past half-year. London prices strengthened on U.S. covering purchases following the news that the proposed releases of U.S. stockpile tin are to be put back until July.

John S. A.

UK COMPANY NEWS

THE PRESTIGE GROUP LIMITED

Mr. David Lawman reports on 1979

The following is an extract from the Statement by the Chairman, Mr. D. J. T. Lawman, which has been circulated with the Report and Accounts for the year ended 31st December, 1979.

Group sales for the year amounted to £62,250,044, an increase of 4.8%. Group net profit for the year before taxation was lower at £5,860,949 (1978 - £6,849,629). The total amount of profit available for ordinary shareholders was £3,709,623 (1978 - £3,689,981) after taking credit for an extraordinary item (sale of property).

Both sales and profit were affected in 1979 by the national road haulage strike, by industrial action in Lancashire and by the national engineering dispute. In addition, there was a deficit arising from changes in foreign exchange rates amounting to £308,689 compared to a surplus of £129,078 in 1978.

The Board is recommending a final ordinary dividend of 17.5p making a total of 27.5p (1978 - 24.9p).

1979 IN BRIEF	1979 £'000	1978 £'000
SALES	62,250	59,515
PROFIT BEFORE TAX	5,861	6,850
PROFIT AVAILABLE*	3,710	3,690
EARNINGS PER SHARE*	20.45p	20.36p

*After an extraordinary credit in 1979 of £278,000 equal to 1.53p per share (1978 - after an extraordinary debit of £84,000 equal to 0.46p per share).

Copies of the 1979 Accounts and the Chairman's Statement may be obtained from the Secretary, The Prestige Group Limited, Pinner House, 14-15, High Street, Egham, Surrey TW20 1LQ. The Annual General Meeting will be held in London on 26th March, 1980.

Prestige

Manufacturers of 'Prestige' 'Skyline', 'Ewbank', 'O-Cedar', & 'Old Hall' household products.

Overseas companies operating in Australia, Belgium, France, Germany, Italy, Japan, New Zealand, South Africa, Spain, Sweden.

Companies and Markets

Diploma ahead midway: interim lifted to 2.5p

FROM increased turnover of £40.2m against £18.15m, profits before tax of Diploma rose from £2.59m to £3.06m in the first half ended December 31, 1979.

Once again, the best performance came from Macro, the group's distributor of high technology electronic components which contributed half of the total profit and was itself 50 per cent up on the same period last year.

Stated earnings per share were 12.8p against 10.8p and the interim dividend is raised from 1.5p to 2.5p—last year's total was 8p on record pre-tax profits of £8.6m.

Despite many difficulties most of the group's manufacturing companies performed with credit notably Williams and 1/2, whereas Sunkey-Sheldon/Norwood suffered substantially from the engineers' strike, says Mr. A. J. C. Thomas, chairman.

Williams and 1/2 have substantial steel stocks and apart from heavy picketing are not unduly affected. Sunkey-Sheldon/Norwood has specific rather than volume shortages which is making production planning more difficult with resultant lower profitability.

The scaffolding division was good in parts with Eastern Counties going well ahead, and SCL disappointing and which is now the most affected of the group by the steel strike. Many men have been laid off from their RSC site contracts and the group is not able to recover substantial ongoing labour costs, hire charges and other overheads.

Robert Lee showed customer strength and had a very good first half although there are now clear indications that the rate of

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends, share returns or loans and the sub-divisions shown below are based mainly on last year's timetable.

TODAY	
Interim—A.H. Matthews, Grant	Consolidated Gold Fields Crossinara Trust
Final—Family Investment Trust	Hillam Shipyard and Chertsey, Kote International, Pwcom, S.F. (Agriculture)
FUTURE DATES	
Interim—Lake and Elliot	Mar 28
Final—Cullins, Williams	May 24
Consolidated	May 10
Final—Barton	April 19
Final—Construction	May 16
Home Counties Newspapers	May 13
Final—Lunna, (C) (L) Tea and	May 28
MacKay (H) Ltd	May 6
Final—Rubber Estates	May 10
Final—Neil and Spencer	May 10
Final—Rolle-Royce Motors	May 10
Final—Greener, Clunier	May 7

growth of the home improvement market is on the decline.

Six months to	
Turnover	1979 1978
Profit before tax	24,016 18,147
Estimated tax	3,054 2,887
Net profit	1,953 1,360
Minorities	1,431 1,227
Profit dividend	108 102
Attributable	1,342 1,124
Interim dividend	360 156

Growth at Macro was assisted by demand related to new applications within the technology pattern and by shortages which helped to keep prices firm. They entered the second half with

substantially higher stock levels. There is an indication that demand within the sector is a little less buoyant and supplies will probably become more easily available and the normal downward price movement will return, says Mr. Thomas.

comment

A healthy 50 per cent rise in the electronic components distribution side of Diploma has provided the major impetus for the group's 15 per cent increase at the pre-tax level. But the share still fell 25p to 450p, on pessimistic indications for the second half. The marketing of high technology semi-conductors is now 57 per cent of group profits, but the industrial scaffolding contribution fell dramatically as the business slipped into a small loss. Excessive labour costs and contract difficulties contributed to the decline. The group's steel furniture manufacturing operation also suffered, mainly from the engineering strike (which may have cost £100,000 to profits). The Robert Lee home improvement business managed reasonably well in the first half, but a general downturn in the DIY market may well be on the way. This could dampen second half prospects significantly. The effects of the steel strike are not yet discernible, but the scaffolding business is somewhat tied up by two-thirds, largely to reduce disparity. A 25 per cent rise in the net total could yield a prospective 3.2 per cent and if the 10 per cent price rise to 3.6m, the fully taxed p/e is 15.8.

Acquisition policy pays as British Vita nears £9m

PRE-TAX profits of British Vita Company, manufacturer of polymeric products, climbed steeply from £5.33m to £8.93m in the year to December 31, 1979, from £2.2m against £4.6m. The dividend is more than doubled to 5p.

The major increase in earnings came from the UK and Europe where pre-tax profits were £4.6m against £3.01m and this was due, in part, to the group's acquisition policy. International operations achieved a 13 per cent increase in profit from £3.52m to £4.34m.

In the first six months the company had pre-tax profits of £4.01m (£3.15m) from turnover of £21.7m (£21.18m).

As indicated in the interim statement, the board is implementing its intention to pay dividends more commensurate with performance and has therefore proposed a final dividend reflecting this policy. The final is 2.6p against an adjusted 1.3p, making a total of 5p (equal to 2.34p).

Tax absorbs £2.1m (£1.92m) for the year leaving £6.8m (£4.91m). Dividends account for £1.2m (£422,000) and profit retained is £5.74m (£4.42m). Stated earnings per 25p share are 34.1p (£24.8p), and 32.2p (£24.4p) fully diluted.

The current year has commenced with a major strike in a basic industry, while other parts of British industry are suffering a downturn due to destocking taking place because of high interest rates and low consumer demand. Mr. F. A. Parker, the chairman, says that as a result of current conditions in the UK market, the group has had a difficult start to the year.

British Vita's offer for Vita-tax became unconditional early last month.

comment

Good figures from British Vita show that the group has maintained its promising first-half form. Pre-tax profits are 30 per cent ahead despite a more than doubled interest charge, on turnover of 47 per cent up. The Caligen and Libeltex acquisitions probably earned the group around £1.5m net of financing costs. Adding back interest, margins have been held within a point of last year, a creditable feat in view of rising oil-based raw material costs. But despite the good news on profits and more than doubled dividends, the yield at a historic 4.5 per cent, the shares slipped 10p to 158p on the gloomy outlook for the current year. Customer demand seems generally slack, though there are no specific problems

within the group. The main worry now is borrowings, now up to £10m. The historic p/e on stated earnings is a modest 4.9, while the Vita-tax acquisition will probably help this year's profits up to around £9.5m.

Optimism at Camford Engineering

ORDER BOOKS at Camford Engineering are higher than ever, and the group is looking for ways and means of increasing production to satisfy growing demand, say the directors in the annual statement.

It is impossible to predict how severe the effect of the steel strike will be, and forecasting is also made difficult by uncertainty over interest rates, they add.

However, they believe the group has never been in a stronger position and they remain optimistic that the group should enjoy another year of record trading.

Pre-tax profits rose from £2.2m to £2.54m in the year to September 30, 1979, as known.

Aquis down but holds dividend

After a permanent release of stock relief of £127,000, taxable profits of Aquis Securities are reduced from £519,758 to £392,758 for the year to December 31, 1979.

The purpose of the release, say directors, is to reduce the tax charge—down from £19,158 to £11,816—and so improve after-tax profits.

Gross revenue of the property investment company rose from £2,66m in 1978, and the dividend for the year is maintained at 0.75p with a final of 0.5p.

The board's valuation of a leasehold interest in Belgium at a nominal £1 has resulted in an extraordinary loss of £255,498 (£249,499) transferred from capital reserve. After minorities, the attributable surplus is £275,765 (£195,472). Earnings per 5p share are shown as 1.1p (0.78p).

A professional valuation of the short leasehold properties held for investment has reduced their overall value by £21,000 and this sum has been charged to capital reserve.

The value of the remaining properties held for investment has been considered and after attributing the nominal value of £1 to the property formerly owned by the Belgian subsidiary, the board, having taken advice, are of the opinion that the market value exceeds the remaining book value by approximately £6m.

various parts of the world, the directors say.

The company has paid its first dividend to Midland Bank.

Negit wind-up order approved

RESOLUTIONS for a voluntary winding-up of Negit, a Bermuda-based company, have been passed at a special general meeting and a distribution of the assets should be made within six weeks.

Negit was designed to act as a feeder fund for UK residents into Negit SA, a Luxembourg investment group, and the decision for winding up was taken following the abolition of exchange controls in Britain.

Negit said early last month that its shareholders would receive shares in Negit SA on a basis to be decided by the liquidator. On the basis of net asset value at February 1, the value of Negit was £554,250 or £2.57 a share.

Thomas Cook tops £10m

Pre-tax profits of Thomas Cook Group, a member of Midland Bank Group, advanced from £8.38m to £10.1m in 1979, on worldwide sales 27 per cent higher at £255m.

Retail sales of the UK travel division increased by 17 per cent, while the worldwide banking pushed up turnover by 32 per cent.

The progress was achieved despite intensified competition within the travel trade and political and economic problems in

Winding up for 61 companies

COMPULSORY winding up orders have been made against 61 companies by Mr. Justice Dillon in the High Court. They were:

Redman Mechanical Services, Rington Estates, Maurice Toni Company, Robin Hillon International Properties, R. Palmer and Sons (Builders), Wasken Construction, Venirodow, Bill Law Display, Bullen and Timmas, Bradlaw Engineering (Welwyn), Dan-shurine, Eileen Barnett, FBK (Finance and Car Sales) Company, Echley, Plymouth, N and H Contractors, Mart (Management Consul-

tanee, Lincoln Camera Exchange, La Rochelle Antique Clothing, Lesh Fashions, Levan, Hamphire, Carpet Cleaners, J. R. Foster (Rimovals), Hudson Personnel International.

Simdeck, PK and Co. (Ceilings), Parsons Plumbing and Heating, Press Release and Distribution Services, R. Farver and Co. (Havton), Seltax, Victoria Shopfitters (Northampton), Coniform.

Williams Engineering Services, Continental Conferences and Exhibitions, Elezani Properties, Blacklayer, ADM Marking

machines, Chanvor Motor Rust-proofing, Hartlepool, International Entertainment Services, Nova Spray Peterborough, Sidelay Garage, The Grefson Development Company, Tavistock, Reflections (Display Products), Premier Catering, Industrial Publicity Advisers, Craft Patterns.

A. Clare (Havton), Kephlow Publishing, Reymart, Seltax, Northern Cable Construction Company, JBR (Electrical), Vava Plastics, Pelthurn, Riddlebrande, Fullercrete, Sykes Transport, E. L. Morley (Amusement), Flavale.

Grindlays Holdings Limited

The Board of Grindlays Holdings Limited have recommended a final dividend for the year ended 31st December, 1979 of 10.75 per cent net (1978 8.284 per cent)

Dividends	1979 per cent	1978 per cent
Interim	4.25	4.0
Final	proposed 10.75	8.284
Total	15.0	12.284
Equivalent to:	3.75p per share	3.071p per share

The total dividend proposed for 1979 is an increase over 1978 of 22% compared to an increase in 1978 over 1977 of 11.7%.

51 per cent of the shares of Grindlays Bank Limited are held by Grindlays Holdings which is quoted on The Stock Exchange, London. 49 per cent of the shares are owned by Citibank N.A., New York

Grindlays Bank Limited

1979 Group Results

	1979 £ millions	1978 £ millions
Profit before tax	37.28	38.03
Tax	(18.50)	(15.45)
Profit after tax	18.78	22.58

After adjustment to take account of the interest of minority shareholders the profit attributable to the shareholders of Grindlays Bank Limited was £17.76 million.

Profit retained for the year 1978 was £15.26 million (£20.8 million).

The Group's capital resources at 31st December 1979 were £151 million.

In 1979 the valuation of Group properties has shown a surplus of £13 million which has been added direct to published capital resources.

	1979	1978
Group Deposits	\$3212 million	\$2833 million
Group Advances	\$1834 million	\$1650 million

The Chairman, Mr. N.J. Robson, in his statement to the shareholders which will be posted later this month states:

"... the tax charge of £18.50 million mainly relates to overseas earnings with the charge for U.K. tax at £1.5 million."

*Currency fluctuations... had an adverse effect on the results of £2.1 million in 1979 and £1.1 million in 1978.

The figures have been adjusted to reflect a change in the Group's foreign exchange accounting policy.



Head Office: 23 Fenchurch Street, London EC3P 3ED

Branches or offices at: Australia, Austria, Bahrain, Bangladesh, Canada, Colombia, Cyprus, England, France, Germany, Ghana, Greece, Hong Kong, India, Indonesia, Iran, Japan, Jersey, Jordan, Kenya, Republic of Korea, Malaysia, Mexico, Monaco, Oman, Pakistan, Qatar, Saudi Arabia, Singapore, Spain, Sri Lanka, Switzerland, Uganda, United Arab Emirates, United States of America, Zaire, Zambia, Zimbabwe, Yugoslavia.

Temple Bar Investment Trust

SUMMARY OF RESULTS		1979	1978
Earnings attributable to Ordinary Stockholders		£2,102,406	£1,606,208
Basic earnings per Ordinary Stock Unit of 25p		7.412p	5.727p
Dividend per Ordinary Stock Unit of 25p		7.000p	5.500p
Fully diluted earnings per Ordinary Stock Unit of 25p		7.368p	5.664p
Investments at Valuation	31st December	1979	1978
Net assets available to Ordinary Stockholders		£34,140,276	£34,429,379
Net asset value per Ordinary Stock Unit of 25p		120.2p	122.2p
Fully diluted assets available to Ordinary Stockholders		£34,512,704	£35,315,085
Fully diluted net asset value per Ordinary Stock Unit of 25p		120.2p	122.2p
Net assets after deduction of prior charges at market value		£34,061,534	£34,373,138
Net asset value per Ordinary Stock Unit of 25p after deduction of prior charges at market value		120p	122p

A full copy of the Report and Accounts can be obtained from the Secretary, Temple Bar Investment Trust, 11, Waterloo, London WC2E 9BP.



Victor

Victor Products (Wallsend) Ltd
Summary of results (unaudited) for the six months ended 31st October, 1979

	Six months to	Six months to	Year ended
	31.10.79	31.10.78	30.4.79
Turnover	4,705,700	4,551,700	10,216,000
Profit before taxation	703,600	643,200	1,588,887
Provision for taxation (Note 1)	175,900	160,800	199,516
Profit after taxation	527,700	482,400	1,389,371
Dividends			
Preference Shares	38,231	—	37,917
Ordinary Shares			
Interim (Note 2)	114,692	36,810	56,811
Final	—	—	229,384
Profit retained	374,777	425,590	1,065,259
Earnings per Ordinary Share of 25p each	6.40p	6.31p	17.67p

NOTES:
1. Corporation tax is provided on an actual basis. Provision for the half year to 31st October 1979 is made at 25%, consistent with the same period last year.
2. The interim dividend of 1.5p per share will be paid on 7th April 1980 to shareholders whose names appear on the register on 29th March 1980. The equivalent interim dividend for 1978 was 0.743p per share.

P.O. Box, Wallsend, Tyne & Wear NE28 6PP

The River Plate and General Investment Trust Company, Limited

Salient points from the Annual Report and circulated statement from Mr. T. A. Pilkington

Company reports record results both as regards income and capital.

With large holdings in mining finance stocks, in oil and in international banks, Chairman looks forward to another prosperous year.

Year ended 31st Dec.	Gross Revenue	Net Revenue	Net Dividend	Net Asset Value
1975	723,914	391,254	4.45p	143.24p
1976	828,421	425,237	5.00p	133.01p
1977	997,460	531,310	6.25p	188.03p
1978	1,096,564	600,567	7.00p	202.92p
1979	1,350,310	784,335	9.00p	221.69p

THE STERLING TRUST, LIMITED

Year ended 31st Dec.	Total gross revenue £'000	For each 25p share p	Net asset value p
1976	1,608	4.93	4.65
1977	1,782	5.59	5.30
1978	2,000	6.71	6.30
1979	2,578	9.32	8.10

* Special non-recurring dividend

Distribution of investments as at 31st December, 1979

	United Kingdom & Commonwealth (excl. Canada)	North America	Other Countries	Total
	73.6%	21.6%	4.8%	100.0%

Secretary & Manager: INVESTMENT TRUST SERVICES LTD., 11, Waterloo, London WC2E 9BP

CATER RYDER & CO. LTD.

Mr. A. K. Brown and Mr. D. J. White, Directors of Cater Ryder & Company Limited, have been appointed Managing Directors with effect from 1st May, 1980.

Mr. P. D. Northall-Laurie the Company Secretary retired on 1st May, and is succeeded by Mr. E. Kentish.

Link House Publications Limited

Interim Report

Unaudited Group Results

	July to December 1979	July to December 1978	July to June 1979
Turnover	10,488	8,608	18,182
Trading Profit	1,918	1,360	2,914
Investment Income	220	166	269
Exceptional Expenditure	—	(16)	(154)
Profit before Taxation	2,138	1,510	3,029
Estimated Taxation (Note 2)	1,112	815	1,611
Profit after Taxation	1,026	695	1,418
Extraordinary Items (Note 3)	302	30	35
Amount available for Ordinary Shareholders	724	665	1,383
Earnings per Share	8.6p	5.8p	11.8p

Notes:
1. The Company acquired its publishing activities from Link House Holdings Limited ("Holdings") on December 29, 1978. It does not have, therefore, earlier figures for comparison. The figures included for the period six months to December, 1978 are those of "Holdings", and for the year to June 30, 1979 are a combination of results of "Holdings" and the Company. Comparative figures are the adjusted results as shown in the Accounts' Report in the Offer for Sale document issued in October, 1979, and are shown for information purposes only. The earnings per share have been calculated on the Company's share capital.
2. Corporation Tax has been provided for at 52% on the profit of £2,138,000.
3. Extraordinary items for the current year include £306,000 representing the cost of obtaining a listing of the Company's shares.

DIRECTORS' INTERIM STATEMENT

Pre-tax profits before extraordinary items for the half-year ended December 31, 1979 amounted to £2,138,000 compared with £1,510,000 for the corresponding period when the business traded as Link House Holdings Limited. Trading profit increased from £1,360,000 to £1,918,000 and investment income from £166,000 to £220,000. Turnover at £10,488,000 was 22% higher.

The directors are pleased that your Company's first published results since its Stock Exchange listing in October, 1979 show a significant increase in profits. Trading in the third quarter is continuing satisfactorily in spite of adverse conditions in some areas and indications of a somewhat less buoyant advertising market.

The Board has declared today an interim dividend of 2.8p per share (4.0p with related tax credit), which will absorb £336,000. The interim dividend will be payable on April 17, 1980 to those shareholders on the register at close of business on March 20, 1980.

G. C. Burt, Chairman

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1979-80	High	Low	Company	Price	Change	Div (p)	Yield %	P/E
99	70	—	Alpsprung	70	—	8.7	9.6	4.11
50	36	—	Amalgamated and Rhodes	36	—	3.8	10.8	2.44
235	185	—	Bardon Hill	235	—	13.8	5.9	8.91
100	85	—	County Cars 10.7% P.H.	85	—	15.3	16.0	—
101	63	—	Debonair	63	—	5.0	6.4	10.7
99	88	—	Frank Hovell	88	—	7.9	8.0	6.1
129	100	—	Frederick Parker	108	—	12.8	11.8	4.8
156	104	—	George Sair	105	—	10.5	15.7	—
66	45	—	Jackson Group	66	—	5.2	7.9	3.91
153	113	—	Jamesborough	118	—	7.2	6.2	10.2
300	262	—	Robert Jenkins	262	—	31.3	12.3	8.11
232	175	—	Torday	217	—	14.3	6.8	5.81
34	15	—	Twinklark Ord	19	—	0.8	4.3	3.71
80	70	—	Twinklark 12% ULS	70	—	12.0	15.8	—
88	73	—	Unilever Holdings	85	—	2.8	5.2	10.6
95	42	—	Walter Alexander	85	—	4.4	5.1	5.8
150	136	—	W. S. Yeates	181	—	11.5	8.3	7.0

† Accounts prepared under provisions of SSAP 15.

Edinburgh American Assets Trust Limited

Copies of the Report are available from:

Ivory & Sime Limited, Investment Managers,
1 Charlotte Square, Edinburgh EH2 4DZ.

Goode Durrant & Murray Group Limited

Chairman Lionel Robinson reports on the results to 31st October, 1979

Pre-tax profits up 69% to £1.519m

- Dividend increased to 15%
- Liquidity further increased
- Shareholders' funds up \$0.826m to \$2.977m
- South African companies benefit from 'boom' economy
- Record profits from New Zealand retail store
- UK housebuilding profits rise to £0.314m
- Continued progress anticipated in the future

Copies of the Report and Accounts are available from the registered office at Dorset House, 8-13 Chiswell Street, London EC1Y 4UL.

Companies and Markets

BIDS AND DEALS

Tilling's £19m for Xynetics

AS PART of its expansion programme in the U.S., Thomas Tilling, one of Britain's largest industrial holding groups, is offering £19m (£18.97m) cash for the shares of Xynetics Inc., a California-based manufacturer of equipment for the semi-conductor industry.

Tilling has managed to come in with a higher offer than General Signal Corporation of Stamford, Connecticut indicated in mid-January. General Signal planned to acquire Xynetics for about 1.2m of its common shares which at the time, it is understood, valued Xynetics at \$40.5m.

Xynetics, an unquoted company, is closely held by 250 shareholders. In the first nine months of last year, ending September, it earned income after tax of \$2.9m on sales of \$29m. Tilling said yesterday that the group could make \$7m to \$8m pre-tax profits in 1980.

Tilling, which has been in talks with Xynetics for the last six months, made its last purchase in February when it announced the acquisition of Glasco Electric Company of St. Louis, Missouri, for \$10.75m (£8.65m).

Its latest bid is described as another move to develop a sector where there is above average growth.

SIMON ENGRG. PURCHASES

Through its subsidiary Unichem International Inc., Simon Engineering has made two cash acquisitions in the United States. It has acquired the drilling fluids assets and business of Key

of Fair Trading and the French Treasury. It is also conditional on the approval of Pilkington shareholders, who would vote at a special meeting to be called after the governmental bodies approve.

Pilkington said yesterday that it was confident of approval by these bodies since they had not objected to the earlier proposals. It added that the deal called for a consideration of \$36m in cash and the balance in Pilkington shares up to an amount of some 7 per cent of Pilkington's share capital.

This acquisition should make us the largest flat glass manufacturer in the world and will give us a much bigger stake on the Continent," a spokesman said.

For 1978, the pre-tax profit for Pilkington's core business was 54.84 per cent stake to be acquired by Pilkington amounted to DM 32.5m (£32m). Pilkington said that Flachglas made increased profits for 1978.

WESTINGHOUSE TRANSFER AGREED Agreement has been reached for the transfer by Westinghouse Brake and Signal Co., a wholly-owned subsidiary of Hawker Siddeley, of 50 per cent of the capital of Bendix Westinghouse to a subsidiary of the Bendix Corporation. The deal is worth £7.65m.

On completion of the deal, Bendix Westinghouse will become a wholly-owned subsidiary of Bendix.

The agreement is subject to contract and to the Secretary of State for Trade confirming to Bendix that it is not its intention to refer the proposed transaction to the Monopolies Commission.

This latest transaction will, if it becomes unconditional, replace the present obligation of Westinghouse to offer its interest in Bendix Westinghouse to Bendix later this year.

FURNESS WITHY Mr. Keith Wickenden, chairman of European Ferries and Conservative MP for Dorchester, said yesterday that he was no longer sure that his company's 4.89 per cent stake in Furness Withy, the British shipping group at the receiving end of a £96.5m bid from C. Y. Tung of Hong Kong, had gone to one significant buyer.

He said: "I rather think it went to two different nominee companies."

He was surprised the bid for Furness Withy had not yet received a recommendation that it should be referred to the Monopolies Commission. "One would have expected it to happen," he said.

There was speculation that Hanson Trust had purchased the Euroferries stake, but the group said yesterday: "We do not comment on market rumours."

CORRECTED NOTICE

King & Shaxson

Limited

52 Cornhill, EC3 3PD

Gilt-Edged Portfolio Management Service Index 3.3/80

Portfolio I Income Offer 73.72% Bid 73.20%

Portfolio II Capital Offer 121.36% Bid 130.24%

THE NEW THROMORTON TRUST LTD.

Capital Loan Stock Valuation—March 4th, 1980

The Net Asset Value per £1 of Capital Loan Stock is 246.67p calculated on Formula 1.

Securities valued at middle market prices.

UK COMPANY NEWS

J. E. Sanger in cash search

BY REG VAUGHAN

J. E. Sanger, the meat trading group which has been hit by the collapse of Gilmore and Partners, the Smithfield meat trading concern, is having talks which are expected to result in an injection of capital into the company.

Sanger, which yesterday requested a temporary suspension in its shares, announced that discussions were taking place with a third party and the group's bankers. The latest accounts for the year to June 30, 1979, showed net borrowings of £7.63m against shareholders funds of £1.97m.

Hambros Bank, the group's advisers and one of its principal bankers, said that Sanger was talking to one party about a cash injection and there "was no bid in the offing". The bank said that the Gilmore collapse was a "material factor". Gilmore ceased trading before Christmas with debts of some £1.5m and owing Sanger £400,000.

Apart from Gilmore, Sanger's resources have been depleted in recent years by its ventures into bulk retailing and in the U.S. meat trade (now disposed of), where losses totalled some £2m.

Mr. James Sanger, the executive chairman, said yesterday that the company had been involved in talks in the last few days and "everyone was working extremely hard to reach a conclusion by the end of this week." On Gilmore, Mr. Sanger said that this claim was being pressed in all directions to get back as much as possible.

According to stock market sources, the third party in the talks is Gulf Shipping, a Geneva based company which has a 15 per cent stake in the company. Gulf ships a lot of Sanger meat around the world and it would make a lot of sense for this company to come in to protect its investment.

This would see Sanger out of a difficult period after its abortive ventures in retailing and in the U.S. and permit the company to get on with its profitable business of meat trading.

Another problem for Sanger has been the difficulties of other meat traders recently. This has had an unsettling effect on

creditors who have been demanding cash now rather than later.

Other large shareholders in the company are the Sanger family with 15 per cent and Mr. H. M. Newton-Clare, the executive chairman, with an 11 per cent stake. Mr. Clare was formerly chairman with Scott Bowers, which was taken over by Unigate.

In the 15 months ended June 30, 1979, the group showed a profit of £448,000 on its traditional meat trading business but this was wiped out by losses on its terminated activities of £1.3m.

Yearlings at record 16 2/3%

The coupon rate on this week's batch of local authority yearling bonds jumped by 1 per cent to a record 16 2/3 per cent. Issued at par, the stocks are due on March 11, 1981.

The issues are: Ogwr BC (£0.15m), Sedgfield DC (£0.5m), North Devon DC (£0.25m), Bolsover DG (£0.35m), Mansfield DC (£0.3m), Lichfield DC (£0.25m), North Wiltshire DG (£0.25m), Macclesfield BC (£0.4m), West Lancashire DG (£0.25m), London Borough of Harrow (£0.7m), Hambleton DC (£0.35m), Colwyn BC (£0.25m), Cleveland GC (£1m), City of Durham (£0.25m), Rochdale Metropolitan BC (£0.5m), Castle Morpeth DG (£0.5m), East Hampshire DG (£0.5m), St. Helens Metropolitan BC (£0.5m), Middlesbrough BC (£0.5m), Etrick and Lauderdale DC (£0.25m), Gherwell DG (£0.5m) London Borough of Richmond (£0.5m), Metropolitan Borough of Rotherham (£0.5m), London Borough of Lambeth (£1m), Stirling DG (£0.5m), Strathclyde RG (£2m), Arun DG (£0.25m), Chester-le-Street DG (£0.25m), Lanark DG (£0.75m), City of Southampton (£1m), Tevel Valley BC (£0.5m), London Borough of Enfield (£1m), London Borough of Hackney (£1m), Tunbridge Wells BC (£0.25m) and Burnley BC (£0.5m).

RENTOKIL GROUP LIMITED

Preliminary Announcement

	1979	1978
Group turnover	£73,207,000	£60,440,000
Group profit before tax	£13,022,000	£10,558,000
Group profit after tax	£6,913,000	£5,972,000
Earnings per share	7.29p	6.31p
Dividends		
Interim paid		
November 1979 (8.5% with tax credit of 3.643%)	12.143%	10.746%
Final proposed payable 8th May 1980 (14% with tax credit of 6%)	20.000%	16.428%
	32.143%	27.175%

These figures exclude exchange differences (debits) of £1,184,000 (1978 : £223,000) on translation into sterling of overseas net assets.

Share register struck for dividend 2nd April, report and accounts to shareholders 14th April, annual general meeting 7th May at Felcourt, East Grinstead, West Sussex.

Rentokil

Rights Offering

The First Canadian Bank Bank of Montreal

Offering of 6,973,852 Additional Shares (par value \$2 per share)

The Bank of Montreal is offering to its shareholders of record February 21, 1980 rights to subscribe for additional shares of the Bank on the basis of one additional share for each seven shares held.

Subscription Price: \$23.50 per share

Rights expire on March 31, 1980

The full terms and conditions of the offer are set out in the formal Offer. An Information Circular has been prepared and copies of this Circular, the formal Offer and assistance regarding this offer may be obtained from any of the undernamed. Rights may be bought or sold on all Canadian stock exchanges and The Stock Exchange, London, England.

Payment of the full subscription price of \$23.50 per share may be made at the time the rights are exercised. Alternatively, payment may be made in 10 monthly instalments of \$2.35 per share without interest, commencing March 31, 1980 and ending December 31, 1980 unless such dates are altered by an extension of the offering period by the Bank.

The shares subscribed for and paid for in full on or prior to December 31, 1980 will qualify for inclusion in a Quebec Stock Savings Plan ("QSSP") under the Taxation Act (Quebec). Individuals considering a QSSP are advised to consult their tax advisers regarding the related tax implications.

Wood Gundy Limited

A. E. Ames & Co. Limited

McLeod Young & Weir Limited

Richardson Securities of Canada Limited

Dominion Securities Limited

Nesbitt Thomson Securities Limited

Pitfield Mackay Ross Limited

Greenshields Incorporated

Merrill Lynch, Royal Securities Limited

Burns Fry Limited

Midland Doherty Limited

Walwyn Stoddell Cochran Murray Limited

Lévesque, Beaubien Inc.

F. H. Deacon, Hodgson Inc.

Mead & Co. Limited

Molson, Rousseau & Cie Limited

Bell Gouinlock Limited

Pemberton Securities Limited

R. A. Daly & Company Limited

Odum Brown & T. B. Read Ltd.

A. E. Osler, Wills, Bickle Limited

MacDonald, MacDougall & MacTier Inc.

Brault, Guy, O'Brien Inc.

Scotia Bond Company Limited

Equitable Securities Limited

Geoffrion, Leclerc Inc.

Tassé & Associés, Limitée

Houston Willoughby Limited

Grenier, Ruel & Cie Inc.

Casgrain & Company Limited

Andras, Hatch & Hetherington Ltd.

Cassels Blaikie & Co. Limited

Moss, Lawson & Co. Limited

Burgess Graham Securities Limited

Davidson Partners Limited

Maison Placements Canada Inc.

Pope & Company Limited

Fraser, Dingman & Co. Limited

St. Lawrence Securities Limited

Gordon Securities Limited

Hoare Govett Limited

Kitcat & Aitken

E. Nivison & Company

J. & A. Scrimgeour Limited

March 1980

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

Gulf and Western forecasts record

By David Lascelles in New York

GULF AND WESTERN, the large New York conglomerate, said yesterday that its second quarter earnings had increased, and predicted record results for 1980.

Net income for the period ended January 31 was \$68.6m, or \$1.37 per share, up 15 per cent from the \$59.4m, or \$1.17, earned in the same period last year. Revenue rose by 10 per cent to \$1.43bn.

This brought G and W's six-month earnings to \$131.6m, or \$2.83 per share, compared with \$115.8m, or \$2.29, revenue was \$2.89bn, up from \$2.53bn.

G and W said that all eight of its operating groups contributed to the company's income.

G and W said that its second quarter earnings had increased, and predicted record results for 1980.

The major income contributors, it said, will be the film "Star Trek - The Motion Picture," which was released in December.

Zenith and RCA in video-disc link

By Ian Hargreaves in New York

ZENITH AND RCA, the two largest U.S. television manufacturers, are to co-operate in the manufacture and development of video-disc systems.

The agreement sets into even sharper focus the impending struggle between rival video-disc players between RCA's stylus and groove technology, a variant of this technology being developed by Matsushita of Japan and a third type of laser-based technology from Philips of the Netherlands.

The Philips player has been on sale in the U.S. for around \$75 per unit for over a year, but RCA and Zenith re-affirmed yesterday that their players will be priced at below \$50 when they go on sale next year.

Japanese bankers reject Chrysler credit proposal

By Richard C. Hanson in Tokyo

JAPANESE BANKS have turned down a request from Chrysler Corporation to convert its short-term trade finance debt into a medium-term credit. The balance of such financing, used to pay for exports of Mitsubishi motor cars to the U.S. for sales by Chrysler, is about \$160m.

The rejection marks another setback for the troubled U.S. motor company in its attempts to win concessions from

Japanese bankers. The seven banks involved, however, appear willing to continue negotiations on the debt issue.

The Japanese banks are insisting that Chrysler meet the obligations it has already incurred, which have been falling due for the past couple of months. Twice, in October and again in February, the Japanese banks have stopped extending letters of credit for exports to Chrysler.

Chrysler has also asked the

Japanese for continuous issuance of letters of credit to roll over the previous credits, an issue which is now at a delicate stage of discussion.

Mitsubishi Motor is continuing to ship cars to Chrysler using other forms of finance.

The Japanese banks involved are the Bank of Tokyo, Mitsubishi Bank, Sanwa Bank, Dai-ichi Kangyo Bank, Tokyo-Mitsubishi Bank, Dai-ichi Kangyo Bank, and Tokai Bank.

Eaton plans to broaden trading

By Richard Lambert

EATON CORPORATION plans to be in a position to finance an acquisition costing up to \$1bn by the mid-1980s. Eaton, an international producer of capital goods and transport

products, took a major position in electronic components through its \$378m purchase of Cutler-Hammer in 1975, and plans further to expand the base of its trading activities.

Mr. Steve Hardis, chief financial officer, said in London yesterday that the group's truck components business was capable both of financing its own growth and of carrying Eaton's

entire dividend obligation. Major steps had been taken to improve the profitability of some of the group's other activities.

These included a series of closures and disposals, the cost of which had reduced group earnings by \$55m in the last two years.

Mr. Hardis said that activities which in 1979 had generated sales of nearly \$600m and made little contribution to profit were expected by the mid-1980s to be achieving sales of around \$1bn and showing a pre-tax return of almost 10 per cent.

Earlier, Mr. E. M. de Windt, chairman and chief executive officer, said that the group expected to decide within the next 60 days whether to rebuild its transmission plant in Manchester, England. This facility was destroyed by fire last September, and negotiations on an insurance claim which could approach \$80m are now in progress.

Although Eaton still thought well of the UK as an international manufacturing base, the decision on whether to rebuild would depend on the outcome of the insurance claim and other related discussions.

CanPac sells its Bloedel stake

By Robert Gibbins in Montreal

CANADIAN PACIFIC INVESTMENT, the non-rail holding company which is 72 per cent owned by Canadian Pacific, has sold its stake of 2.8m shares in MacMillan Bloedel, Canada's largest forest products company.

The buyer of the block, at 13.4 per cent, the largest single shareholding, is the British Columbia Resources Investment Corporation, an investment company set up a year ago by the

Bennett Government. The shares were distributed later to about 2m residents of the state.

The price of the deal was not disclosed, but would have been around C\$85m based on the market level of MacMillan shares on Monday. CPI carried the shares, which it acquired some 10 years ago, at cost of C\$82.6m.

Our Financial Staff adds: in a separate development, British

Columbia Resources yesterday acquired an option to buy a significant stake in Kaiser Resources. The latter raised its offer for up to 9m of its own shares from \$43 to \$44 per share.

Kaiser Steel, which currently owns 32.5 per cent of Kaiser Resources, has said that it would tender all of its shares, and this is the stock on which British Columbia Resources has acquired an option.

Strong response to Hongkong bank offer

By Our New York Staff

HONG KONG and Shanghai Bank's tender offer for 3.12m shares of Marine Midland, the upstate New York bank, was over-subscribed by almost 300 per cent, according to preliminary results released here yesterday.

Fidelity Union Trust, the depository, said that about 8.9m shares had been tendered, which indicated a prorated acceptance of about 35 per cent for each shareholder.

Hong Kong and Shanghai had offered \$25 per share for 25 per cent of Marine Midland's stock as part of its plan essentially to take the bank over. The next step will be to purchase for \$118m a further 3.3m shares, to be followed by further purchases of new shares which will bring the Hongkong bank's stake in Marine Midland to 51 per cent.

The total value of the takeover is expected to be about \$314m. The way was cleared for the deal at the end of January, when the Comptroller of the Currency, Mr. John Heimann, approved a national charter for Marine Midland, a step which removed the bank from the purview of the New York State banking authorities who had objected to the takeover.

World Bank issue slides

By Our Euromarkets Staff

THE LATEST World Bank 5 1/2 per cent SwFr 100m issue slumped to 92 1/2 per cent on its debut in the secondary market yesterday from its issue price of 99 per cent.

It now yields 6.81 per cent which is more in line with other World Bank issues, though the extent of the drop underlines the volatility of the market and the continuing upward pressure on yields.

Other Swiss franc issues had a mixed day with average overall issues of 1 points.

The Deutschmark sector also continued weak with losses of 3 points. This led DfG Bank to postpone a DfG 100m issue it planned to float with a 9 per cent coupon for a still unspecified borrower.

The market weakness in gilt and the fall of sterling undermined Eurosterling bond prices which fell sharply in the morning but later recovered a little. According to European Banking Company, the EIB 9 1/2 per cent 1992 paper was notably weak, quoted at 72 compared with a mid-price of 74 1/2 the previous night.

Straight dollar bonds rose rapidly in the morning on dealer short-covering, but later fell back on a decline in the New York bond market. Final gains ranged to 1 1/2.

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U.S. STOCK FUTURES

Hedging without gambling

By David Lascelles in New York

IT SOUNDS LIKE the investor's dream: a way to protect oneself against adverse movements in the stock market. But like so many novelties in Wall Street, it is being treated with some suspicion.

Three U.S. commodity exchanges have now proposed various versions of a so-called Stock Index Futures Contract which they hope the investing public will be able to start trading as a hedge against the ups and downs of the stock market. But they will first have to be approved by Washington, a process that could take years.

The broad idea is as follows: the dollar value of a futures contract will be based on the value of a given group of shares or a widely followed stock index, such as Standard and Poor's. The value of the contract will thus rise and fall with the underlying stock market.

Lower cost

But the contracts will be traded like commodities on a futures market, and investors will be able to buy or sell contracts for delivery several months ahead at a price in line with their expectations for the stock market itself. Thus if an investor holds a portfolio of stocks, but expects the market to weaken in the coming months, he can sell, or "short," the appropriate number of stock futures contracts. Assuming he is right and the market goes down, he can then buy the contracts back at a profit, which will offset the losses he has made on the stock market proper.

Similarly, if an investor is "short" of stocks and wants to protect himself against a rise in the market, he buys stock futures and sells them at a profit when the market goes up.

But why, one may ask, should an investor go through this rigmarole when he can satisfy his market expectations by

simply buying or selling stocks? The answer is that it will often cost less to trade futures contracts than to pay a stock broker to buy or sell shares, because one futures transaction will cover an enormous amount of shares, and no investor ever has to put up the full amount to buy a contract, only a fraction of it as a "performance bond."

Also, it may not be convenient for a host of reasons to sell one's shares at a given moment, whatever one's market expectations.

Sponsors of these contracts cite further examples where they would be useful. An investment firm underwriting a share issue could hedge itself against an adverse market movement while it is carrying the risk; portfolio managers who measure their performance against a market index could greatly improve their chances of matching it if they hedge, and so on.

The first exchange to come up with a firm plan for stock index futures was the Kansas Board of Trade, a mid-West commodity exchange. Its proposal, first made in December 1977 but modified since then, is for a contract whose value would be 500 times the index put out by Value Line.

Standard Investment Research Company, a value line affiliate, says the index stands at 125, the contract would be worth \$62,500.

The version put forward by the Chicago Mercantile Exchange is similar, except that it is based on the Standard and Poor's index of 500 companies.

The Chicago Board of Trade takes the view that few investors have portfolios that need to be matched against the broad market. So it is proposing instead to have 10 different contracts based on the shares of specific industrial sectors: air transport, motors, banking, chemicals, etc. An eleventh contract would be a combination of all 10 industry portfolios.

A problem confronting all three exchanges was how settlement should be made under the contracts. Although few futures contracts are for delivery of the commodity, most are cancelled by reverse trading among speculators, provision has to be made for delivery for two reasons: first, someone may actually want to take delivery of the commodity. But more important, the threat of delivery keeps futures prices in line with prices in the underlying cash market.

Exchanges thought of allowing physical delivery of the shares comprising the various indices they plan to use. But this proved impractical, partly because of its sheer complexity, partly because it would draw stock futures trading into the realm of securities regulation.

Cash settlement

So the exchanges opted for settlement in the form of cash, because it is convenient and has an undisputed value. The only problem with cash is that it brings stock futures trading close to the legal definition of gambling. This could prove a major stumbling block in the way of approval. However, the exchanges have consulted their lawyers and have marshalled a number of arguments as to why the gambling laws do not apply.

One is that the Federal Commodity Law specifically supercedes state gambling laws, so if the stock futures are deemed to be commodities, they should automatically be immune from those laws. Another is that the aim of stock futures trading is not described as gain, but as price protection.

In deciding whether to approve stock price futures, Washington will have to examine a host of issues, whether there is an economic justification for them, whether they will unduly influence the stock markets, what the dangers are of manipulation, and how the investing public can be safeguarded.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on March 4

Change on

Change on

Change on

Change on

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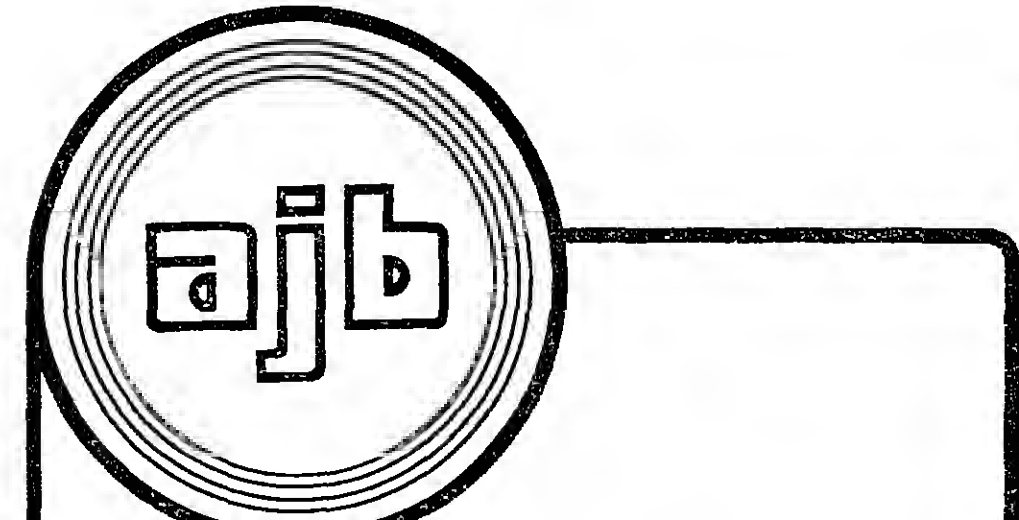
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Do you import capital goods from Spain?

Banco Español en Londres, in conjunction with the Banco Exterior de España, Madrid, is offering loan facilities for up to 5 years at low preferential rates of interest (9% p.a.). This line of credit should prove of particular interest to British importers of Spanish capital goods.

For further information please contact the Marketing Manager at the Head Office of the Banco Español en Londres at 60 London Wall, London EC2 2EL tel. 6283714.

BANCO ESPAÑOL EN LONDRES

JPK 1/50

KWU edges out of the red despite sales fall

By Roger Boyes in Bonn

KRAFTWERK UNION (KWU), the West German power engineering concern, has jumped back into profit this year, despite a drop in sales and the continued difficulties of the German power station market.

Dr. Klaus Barthelt, chairman of KWU, a Siemens subsidiary, warned however that the company faced a number of bleak years before it could realise its true growth potential.

At first sight, KWU presents a somewhat mixed picture. Sales had dropped from DM 5.3bn in 1978 to DM 3.05bn in 1979, largely because of the loss of Iranian business. On the other hand, the concern has managed to push itself back into the black with a DM 19m net profit compared to losses last year of DM 5m. Moreover, Dr. Barthelt confidently expects that KWU will continue to stay in profit this year.

KWU executives explain the apparently contradictory trends in terms of the accounting principles for power station companies—orders do not show up in the sales figures until delivery has been completed, sometimes five years after the event. Sales last year—quite apart from the Iranian shortfall which resulted in a drop in orders in hand from DM 21.6bn to DM 15.7bn—reflected a disproportionately low level of orders placed in the mid-1970s.

This position is now changing and Dr. Barthelt reported that several new orders from home and abroad mirrored a general upswing in demand especially for conventional power stations.

KWU executives say that its orders include a desalination plant and power station for Saudi Arabia, a turbine power plant in Thailand as well as projects in Australia and India. KWU also won a contract to build a clear power station for Argentina.

There are a number of risks in overseas business — for example exchange problems of a strong Deutsche mark and political factors such as those which led to the withdrawal from the reactor construction project in Busair in Southern Iran. But as long as uncertainty does not surround nuclear power at home — several power plants have not come onstream because of legal problems — the overseas side "will continue to play a very strong role" in KWU's fortunes.

KWU has not considered any major diversification move which may however help it to react in a streamlined and efficient fashion when domestic demand revives for power stations. Meantime it will have to sit out the crisis—last year, its workforce was trimmed down from 15,900 to 14,900.

Daimler Benz output

STUTTGART—Daimler Benz will raise car production to more than 430,000 units this year, from the 422,160 made in 1979. The company is able to meet orders more promptly, because production capacity has expanded and the car market has "returned to normal."

Ogem passes dividend as losses outstrip forecast

By Charles Batchelor in Amsterdam

TROUBLED Dutch trading, industrial and construction group Ogem reports a 1979 loss larger than the provisional estimate made last month. The supervisory and managing boards are to "investigate" the policies of the past few years.

Ogem last year lost Fl 24m (\$12.2m) which compares with the loss of Fl 10-15m forecast on February 4. It proposes to pass its dividend—for the first time ever—but does expect to return to profit in the current year.

The heavier than expected loss is explained by the fact that the February forecast was based on the results of the first three quarters of 1979, the company said yesterday. The loss is made up of a Fl 16m profit on normal operations, less a Fl 40m provision against special risks. These are Fl 11m for Middle East contracts and Fl 14m for property deals, mainly the sale of an office in Antwerp, which fell through.

Ogem also set aside Fl 9m for losses by minority holdings, including a Fl 5m additional provision to cover a guarantee given to Deutsche Genossenschaftsbank in connection with a share-issue by the building group Beton und Monierbau. A further Fl 6m was reserved for a number of smaller risks.

The considerable revision of the 1979 loss was due to higher interest charges, to reorganisation costs, particularly in the trading sector, and to an increase in administration costs. In 1978 normal operations produced a profit of Fl 38m while provisions for risks totalled Fl 5m.

The 1979 losses were "mainly of a non-recurring nature." That applies particularly to the difficulties of the property sector. The nature and extent of its activities in the Middle East have been adapted to the increased risk, while administration costs will be gradually reduced.

With "some exceptions," Ogem group companies are healthy with satisfactory order books for its building and industrial operations. Turnover by the trading companies in the first two months of 1980 was also satisfactory.

Ogem expects to improve liquidity this year from the completion of property transactions and payments for projects in the Middle East. Interest charges should be cut sharply. The company still has difficulties to overcome this year, but, unforeseen circumstances excepted, a positive result is expected.

Ogem's difficulties led to the resignation last month of chairman, Mr. Gerard Ullink. Several members of the management resigned recently. The Honorary Consul for Kuwait in the Netherlands, who had advised Ogem on its Middle East business, quit in 1978.

Monti group to lose oil-refining licence

By Rupert Cornwell in Rome

THE ITALIAN Government plans to withdraw the oil-refining licence held by Sig. Attilio Monti, the troubled financier, in a move to hasten the takeover of the bulk of his refinery and petrol distribution interests by the State-owned energy group, ENI.

The decision was announced in Parliament by Sig. Franco Rebecchini, Under-Secretary at the Industry Ministry. He declared that the licence might be restored shortly "to a new management," but also suggested that a Government commissioner might have to be sent in to wind up parts of the Monti group that could not be salvaged.

It appears that ENI is prepared to take over two of the four refineries owned by Sig. Monti—those at Gaeta, on the coast between Rome and Naples, and at Milazzo in Northern Sicily. But Sig. Rebecchini said that the other refineries, at Ravenna and near Turin, were surplus to ENI's needs.

Parallel negotiations are also taking place for the takeover of Monti's 1,800 filling stations throughout Italy, which operate under the Mach brand label, to AGIP, the main oil subsidiary of ENI.

The latest moves suggest that the conclusion of the long, drawn-out Monti affair may be drawing close. The financial difficulties of Sig. Monti began almost immediately after he acquired BP's Italian operations in 1973, on the eve of the first energy crisis. Since then, life has become steadily harder for him and other independent refineries, as oil became scarcer and more costly.

By last autumn, the total indebtedness of the Monti group had reached an estimated L800bn (\$730m), and the lack of crude oil supplies forced the government last October to ask ENI to make an emergency supply of 10,000 tonnes of petrol to keep his pumps open.

ENI, itself, however has been very cautious in negotiations largely thrust upon it by the Government, for fear that it might be involving itself in a very costly salvage operation, with scant industrial advantage to itself.

State-controlled steel group Fiosider has acquired a 7.5 per cent stake in a coal-mining project in Queensland, Australia. The deal provides for the supply of 700,000 tonnes of coking coal annually for at least eight years to Italsider.

Rights issue proposed by SBC

By John Wicks in Zurich

A TOTAL of up to SwFr 294m (\$172m) is to be raised through a rights issue by Swiss Bank Corporation (SBC), which yesterday announced peak profits for 1979 of SwFr 258m, up almost 16 per cent.

The proposed rights offer will be on a one-for-ten basis at SwFr 160 a share. Proceeds will be used to cover equity ratio requirements resulting from the continued growth of the bank's balance sheet.

At the same time, shareholders will be called on to approve a further capital increase of SwFr 50m, to SwFr 68bn by the par issue of 250,000 registered shares and the same number of bearer shares without drawing rights of existing shareholders. These are intended to guarantee the conversion of convertible bonds, soon to be offered. They will involve issue sums of SwFr 75m and SwFr 100m, respectively, according to Dr. Franz Galliker, general manager.

All SBC operations improved their income levels last year except securities business, which was down by almost half to SwFr 64m. The surplus on interest went up sharply by SwFr 87m to SwFr 544.2m and net commission income by SwFr 29m to SwFr 403.5m. Earnings from foreign exchange and precious-metals trading improved by SwFr 39m to SwFr 278.98m. (The bank is to pay an unchanged dividend of 10 per cent.)

Balance sheet total expanded by 9.4 per cent to SwFr 68.2bn (\$40.46bn) at the end of 1979. The increase was due partly to the takeover of the Handwerkerbank, of Basle, and the integration of the SBC subsidiary bank, Fuer Hypothekarkredite.

Total deposits were up by SwFr 4.53bn to SwFr 60.36bn, almost all of this increase arising from a jump of SwFr 4.33bn to SwFr 37.92bn in clients' money, the due-to-banks total going up by less than 1 per cent. Loans to clients were up SwFr 8.04bn to SwFr 31.88bn. The due-from-banks sum dipped by SwFr 3.57bn to SwFr 24.06bn.

State share sales to continue

By Terry Dodsworth in Paris

FRENCH Economics Minister, M. Rene Monory, has made it clear that he will not permit the current move to sell off parts of the French nationalised industries to go as far as full-scale denationalisation. At the same time, however, M. Monory has stressed that he is fully behind the policy of opening up the substantial State sector in France to a wider investing public. He believes that this will make the nationalised companies more profit oriented and more responsive to the demands of the international market.

M. Monory's remarks, made in an interview in the Le Point magazine, are the first public comments he has made on the denationalisation issue since the Economics Ministry dropped this mini bombshell on the financial markets a few weeks ago.

The interview makes it plain that the two companies which have already announced public offers—Societe Generale, one of the three big State banks, and AGF, the second largest French insurance company—will be followed by more during the

course of the year. "I cannot tell you who they will be," said M. Monory. "But a company which calls on the public must be healthy and profitable."

The limit on the size of the shareholdings which will be sold off will vary from company to company. But M. Monory said that he will apply the new policy within the framework of the present laws on the State sector, which requires the State to hold at least 50 per cent of the nationalised enterprises and, in some cases, such as the banks, 75 per cent.

Apart from the decentralisation of ownership, one of the main themes of M. Monory's reforming tenure of the Economics Ministry, the charge of policy is also designed to sharpen competition.

State companies which are in competitive sectors, like banks, ought to be operating on the same basis as private concerns, he says. When they only have one shareholder—the State—the "natural inclination is to neglect him," but this attitude will change when they are faced with the much more demanding shareholders who are investing

their own money in the companies.

In addition, M. Monory argues that nationalised French groups wanting to expand overseas, particularly in the U.S. and West Germany, will be better accepted if part of their shares are held by the public. They will also have more flexibility to take over other groups and manipulate their financial structure if they are not hamstrung by the constraints of State ownership.

A third, though by no means "the essential" reason for the change of policy, says M. Monory, is to lighten the burden on the state finances caused by the frequent equity injection into nationalised organisations.

He goes on to stress that this new initiative falls within his general philosophy of bringing the management of state enterprises into line with practices in the private sector. This does not mean, he adds, that those organisations which are giving a public service should not continue to do so. "This service must be measured."

Reduced loss for German steelmaker

By Our Financial Staff
WEST GERMANY'S third largest steelmaker, Kloeckner-Werke, plans a big reorganisation of capital after continued losses for the year ended September, 1979.

Group net losses last year narrowed to DM 25.6m from DM 74.8m and again shareholders—which comprise Internationale Industrielle Belegungs-Gesellschaft, Kloeckner and Co. and a number of banks—will not receive a dividend.

As a result of the 1978-79 deficit, the year-end balance sheet accumulated losses total DM 210m. That has prompted the main shareholders to halve existing capital to DM 238m and inject new capital in order to restore equity to DM 470m.

The nominal value of the company's shares will be cut to DM 50 from DM 100 releasing DM 238m to offset Kloeckner's accumulated balance sheet loss and enable DM 25m to be paid into reserves. The new shares, issued at 110 per cent of par, will be taken up initially by Kloeckner's main shareholders.

Group turnover was DM 4.80bn compared to DM 3.93bn, including turnover of companies in which Kloeckner Werke has a stake of more than 50 per cent. Parent company net loss was DM 29.7m (loss DM 65.1m) on turnover DM 3.03bn (DM 2.64bn).

Lloyds fund to cut payment

By Our Zurich Correspondent
SWISS-BASED Lloyds International growth fund is to pay a reduced dividend per unit of SwFr 3.40 for the past year compared with distribution of SwFr 4.40 a unit for 1978. Net revenue dipped to SwFr 197,290 from SwFr 210,791.

Total assets of the fund, part of the Lloyds Bank group, rose by 30.8 per cent last year to SwFr 19.3m.

Alexander Howden Group (South Africa) Limited

INSURANCE BROKERS

Summary of Group Audited Reports

For the year ended 31st December 1979	R000
Profit before taxation	1,767
Taxation	686
Profit after taxation	1,081
Extraordinary item	112
Profit available	969
Preference dividend	15
Ordinary Dividends paid and proposed	852
Special Ordinary Dividend paid	87
Earnings per share (based on weighted average of 6,483 m. shares in issue)	16.5 cents p.s.
Ordinary Dividend	13.2 cents p.s.

Substantial changes in the structure of the Group's operations were made during the period under review and it is considered that comparative figures would be misleading and of no value to members.

This announcement appears as a matter of record only

Turismo e Inmobiliaria Bio-Bio SA

Santiago, Chile

has acquired 75.6% of

Antofagasta (Chili) and Bolivia Railway Company Limited

a company listed on the London Stock Exchange

We acted as financial adviser to Turismo in securing a substantial minority interest in the company and in making a cash offer to its remaining shareholders

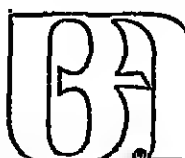
Corporate Finance Department

Bank of America International Limited

Paris

LONDON

Tokyo



U.S. \$40,000,000

Floating Rate U.S. Dollar Negotiable
Certificates of Deposit, due 8th March, 1983

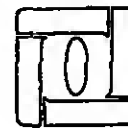
THE DAIWA BANK, LIMITED

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In accordance with the provisions of the Certificates, notice is hereby given that for the initial six months interest period from 5th March, 1980 to 5th September, 1980, the Certificates will carry an interest rate of 17 1/2 per annum. The relevant interest payment date will be 5th September, 1980.

Merrill Lynch International Bank Limited
Agent Bank



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David B. Ziff

has been appointed a Vice-President of
Oppenheimer & Co. Inc.

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Banque Nationale de Paris Limited

US \$50,000,000

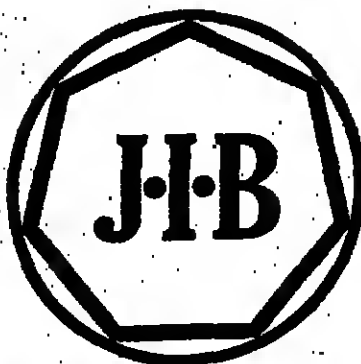
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CERTIFICATES OF DEPOSIT DUE 1983

MANAGED BY

CITICORP INTERNATIONAL GROUP

KLEINWORT, BENSON LIMITED

MARCH 1980



Extract from Accounts at 31st December, 1979

	1979	1978
	£000	£000
Issued Capital	10,800	10,800
Retained Profits	5,244	4,284
Subordinated Loans	4,497	4,915
Deposits	357,129	354,542
Loans	230,834	197,644
Total Assets	387,801	383,332
Profits before Taxation	3,139	3,099
after Taxation	1,500	1,473

Japan International Bank Limited

Shareholders

The Fuji Bank Daiwa Securities
The Mitsubishi Bank The Nikko Securities
The Sumitomo Bank Yamaichi Securities
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OFFSHORE BANKING

Tax free on Guam

BY PHILIP BOWRING RECENTLY IN GUAM

INVISIBLE EARNINGS from the Eurocurrency market tend to play a major role in the budgets of the smaller states of the world. So it was not surprising that when the U.S. territory of Guam, in the western Pacific, set about diversifying its economy away from dependence on the U.S. military and Japanese honey-mooners it should turn to servicing the dollar.

Guam is about the size of Singapore, but has a population of only 100,000. Last year, it introduced legislation to allow the setting up of offshore banking units for the tax-free booking of Eurocurrency loans. So far, five banks, though granted OBU licences—Chase Manhattan, Bank of America, Citibank, First Hawaiian Bank and Bank of Guam. Though no figures are published, it is believed that total bookings so far amount to only about U.S.\$ 150m, almost entirely accounted for by Chase (about \$100m) and Bank of America. Clearly, the Guam OBU has not got off to a flying start. Nor has it managed thus far to attract any foreign banks. Though the Hongkong and Shanghai Banking Corporation has an agency operation in Guam, it has not so far applied for an OBU licence. Nor has the Bank of Tokyo's subsidiary. First California Bank, which has a Guam branch.

Indeed, the only participants so far are banks which already had Guam branches. Others are known to have looked, including Chemical Bank and Irving Trust Company, but none has yet taken the plunge of incurring establishment costs in a new location.

For Guam, the result has been disappointing so far, especially as the introduction of the OBU and tax incentive coincided with some expressions of dissatisfaction in the banking community about Hong Kong—on the questions of uncertainty over the application of new rules on taxation of banking profits from offshore lending, and the high rent and overhead costs, in the British run territory.

But it would be premature to write off the Guam OBU as a failure. Its current weakness lies in what should be its long term strength. That is, the U.S. connection. Guam is a territory of the U.S., but enjoys a greater degree of autonomy than states of the union. It has been able to offer complete relief from Federal

as well as local taxes while retaining the advantages of the U.S. system. The language is English, the currency is the U.S. dollar, the legal system and courts are American. Above all, the political risk is—in theory—the same as the U.S. political risk. And for U.S. banks, the question of foreign risk does not arise—a significant factor when banks are looking at country risk limits for funding as well as lending. And Guam itself seems unable to decide whether or not it wants more independence from the U.S., which would assure its ability to offer banks a tax haven and a modicum of secrecy, but would risk the loss of Washington's paternalistic hand, as shown in the distribution of food stamps and federal subsidies. As a result there are some doubts about the extent and durability of the tax free status for OBUs. The main reason why Guam has attracted more interest than action on the part of U.S. bankers is that there is a Bill before Congress which would put the administration of the territory's tax affairs in the hands of the Internal Revenue Service. At present, Guam follows the Federal tax code, but collects and keeps its own taxes. Maladministration and corruption in the past, however, have led to a move in Washington to reduce local autonomy. Though IRS administration would not override the territory's ability to offer exemptions, bankers are concerned about the uncertainty of the situation and the possibility that the IRS would be less accommodating in interpreting tax law than local revenue officers.

The current weakness of Guam as an offshore banking centre should be its long-term strength. Guam is a territory of the U.S., but enjoys a greater degree of autonomy than states of the Union.

As for the tax advantage to the banks of locating themselves in Guam, there seems to be a division of opinion. Tax havens are thick on the ground. It may be a matter of individual decision whether, in the context of the U.S. global tax assessments, that American banks face, it is worth supporting one based on U.S. soil.

Foreign banks, too, have a wide range of alternative booking centres.

Even the supporters of Guam as an international banking centre, say that the law governing the OBUs would benefit from tidying up and the scope of the tax freedom extended. At present, Guam sees itself merely as a booking centre for the convenience of parent banks. The OBUs can fund themselves only from their parents, and make only loans negotiated by parents, or associated companies or correspondent banks.

Though it is unlikely that Guam will emerge as a loan negotiating centre in the foreseeable future, some bankers say they would like to be able to do more on an OBU basis than is currently permissible in Guam. They also say that with tax authorities world wide increasingly looking at the extent to which tax havens are actual business centres rather than post boxes, an ability to negotiate loans from Guam would help credibility. However, Guam banks do at least keep books and administration on Guam.

At present, Bank of America sees Guam as a passive booking centre, servicing loans directed to it by the group loan administrator, Chase, however, is rather more ambitious for the territory. It is selling its Guam domestic banking business to concentrate entirely on offshore business.

But others believe that Guam's particular advantage—the U.S. connection—will only create a financial centre if tax freedom is extended to a broad range of banking, trust and portfolio management services.

Guam has some strong points. In terms of communications, air links are restricted by the limited access given to non-American carriers, but telecommunications are excellent and Guam has a central, if remote, position in the Pacific. It is 1,500 miles due south of Tokyo and a similar distance due east of Manila. It is on the direct route between the U.S. west coast and South East Asia. And it could—should any airline exploit the fact—be a direct stepping stone between Tokyo and Sydney.

But whether or not this Pacific island gateway to Asia, the U.S. and Oceania will ever develop as a financial centre remains uncertain. In the end, the question is: does the U.S. want a tax haven on its own soil?

Squeeze on food margins hits G. J. Coles

By Our Sydney Correspondent

G. J. COLES, the major retail group, suffered a 4.4 per cent decline in earnings, from A\$11.17m to A\$9.8m (U.S.\$32.7m) in the half-year ended January 27. However, the directors have raised the interim dividend from 5 cents to 5.5 cents a share.

Group sales rose 21.5 per cent, from A\$1.08bn to A\$1.32bn (U.S.\$1.45bn).

The directors said the lower profit was attributable to a number of factors, particularly strong competition in the retail industry. Competition over the period was severe, notably in the food sector, and it was necessary to reduce gross profit margins considerably. The abolition of the trading stock valuation adjustment and the reduction in the rate of investment allowance also affected the profit.

The directors said the recent increase in the rate of inflation and the resultant necessity for businesses to fund the increased value of stock added emphasis to the need for the Government to review its decision on this matter.

The board added that it was satisfied that profit estimates for the period were achieved despite an extensive store opening programme, but it also pointed out that profit for every dollar of sales had fallen from 2.45 cents to 2.17 cents for the six months.

Strong advance at Altech

By Bernard Simon in Johannesburg

ALLIED TECHNOLOGIES, the South African electronics manufacturer which took over the local subsidiary of STG three years ago, reports a 41 per cent increase in after-tax profit, to R9.4m (\$11.6m) for the year to February 1980.

Dividend for the year has been raised to 40 cents a share from 28 cents. This is in keeping with the group's policy of distributing 40 per cent of attributable profits each year.

Like many other South African companies, Altech's liquidity is high, with cash balances currently totalling over R11m and no significant borrowings. The company's order book stands at a record level of more than R88m.

Faber Merlin buys hotel complex

BY WONG SULONG IN KUALA LUMPUR

FABER MERLIN, the Malaysian hotel and property group, has announced the purchase of a 23-storey hotel and shopping complex in Johore Baru, capital of Johore state, for 27.25m ringgit (\$12.4m).

The property, known as Tan King Chua Building, was bought from Tan Kim Chua Realty, and the price will be satisfied by an issue of 15m Faber Merlin shares of 1 ringgit each, at 1.25 ringgit per share, and cash payment of 8.5m ringgit.

The new shares will rank par passu in all respects with existing stock, but will not be entitled to the 2.5 per cent dividend just declared.

Faber Merlin said that the property, which was valued by the leading Malaysian valuer, Williams, Talhar and Wong, at 28.1m ringgit, has a rentable space of 120,000 sq ft with a 104-room hotel in the upper floors, and offices and a cinema below. When fully let, it will generate an annual gross rental of 2.3m ringgit.

Faber Merlin said that the purchase was in line with its

policy to expand its hotel chains. Two months ago, it took over the 34-room Sri Mersing Hotel in Mersing, East Johore, for 900,000 ringgit.

The company's interim results, to December, showed a 12 per cent fall in operating profit to 2.3m ringgit. The setback is believed to have resulted from slower turnover from its housing division.

THE EAST Asiatic Company Malaysia, whose interests span plantations, manufacturing and trading, has reported a good year, with pre-tax profits rising by 35 per cent to 33m ringgit (\$15.1m) for the year ended December.

Earnings after tax were even better, rising by 54 per cent to 20.9m ringgit, with turnover 28 per cent up at 240m ringgit.

The group results include those of its subsidiary, the River Estates in Sabah state, acquired 18 months ago, and its associated companies, Carlsberg Brewery Malaysia and Viking-Askim, the shoe manufacturer. EAG Malaysia holds 25 per cent

in Carlsberg Malaysia and 35 per cent in Viking-Askim.

The group's healthy earnings could be attributed to higher returns from its plantation operations, while income-tax was lower than normal as a result of claims for accelerated depreciation and reinvestment allowance.

EAG Malaysia is giving a final dividend of 12.5 per cent, bringing total dividend for the year to 20 per cent. The final dividend is an enlarged capital of 75m ringgit, and works out to be 3 per cent higher than on the old capital of 60m ringgit.

GOVERNMENT approval for a 33 per cent price increase for cement last August has substantially boosted earnings of Tasek Cement BHD, one of the leading cement manufacturers in Malaysia. The company reported pre-tax profit for the half year to December 1979, up by 43 per cent to 17.7m ringgit (\$8.1m).

Sales rose from 58m ringgit to 75m ringgit, reflecting higher prices rather than higher output.

With better earnings, Tasek is giving an interim dividend of 10 per cent compared with 7.5 per cent previously.

HUME INDUSTRIES Malaysia (an associate company of Hume Australia) and Alcom Malaysia (an associate of the Canadian Alcan group) have reported solid growth in earnings, due to the continued boom in the Malaysian building and construction sector.

Hume's interim results for the half-year ended December, showed a 28 per cent rise to 3.8m ringgit (\$1.74m). Sales increased by 20 per cent to just over 50m ringgit (\$22.8m).

Alcom's pre-tax profit for the year ended December was 3.5m ringgit, compared with 1.1m ringgit previously, and after deducting provision for deferred taxation, net profit was 1.9m ringgit or more than double previous earnings.

Alcan is paying a final dividend of 7 per cent to bring the total to 12 per cent (against 10 per cent in 1978), while Hume is maintaining its interim dividend at 6 per cent.

Steady results from Wormald

BY JAMES FORTH IN SYDNEY

THE national engineering union stoppage in the UK last year and the recent sharp rise in U.S. and UK interest rates held the international fire fighting security group, Wormald International, to an almost static profit of A\$8.6m (U.S.\$ 9.5m) in the December half-year.

The directors expect an improved second half, however, to produce a higher overall result for the full year, and have raised the interim dividend from 7.5 cents a share to 9 cents. Last year, a final of

10 cents was paid, lifting the annual rate from 15 cents a share to 17.5 cents.

Group sales rose 31 per cent from A\$242m to A\$316m (U.S.\$ 347m), but the profit edged up only from A\$8.52m to A\$8.64m. The latest result was after a jump in the interest bill from A\$6.4m to A\$11.9m. The directors said that an increase had been expected following the A\$50m acquisition of the U.S. group, Ansal Company. But the overall total was greater than looked for, because of the increase in interest rates in the

UK and U.S. from about October last year.

THE BANK OF ADELAIDE incurred a loss of A\$40.6m (U.S.\$44.5m) in the year to September 30. The bank is now a subsidiary of the much larger ANZ banking group and the main cause of the loss was its finance company offshoot, Fioanre Corporation of Australia, which incurred a deficit of A\$43.4m for the year.

The Adelaide's loss compared with an overall profit of A\$6.9m in the previous year.

Jack Chia-MPH sells property stake

BY GEORGIE LEE IN SINGAPORE

JACK CHIA-MPH (JC-MPH) has sold its 12.2 per cent stake in Malaysian Credit, the property company, to See Hoy Chan (Singapore) Pte. The price paid for the 7.73m Malaysian Credit shares was S\$2.60 per share. The sale proceeds of S\$20.01m (U.S.\$9.2m) will produce a surplus of S\$7.95m for JC-MPH.

JC-MPH said that together with the profit of S\$624,000 realised on the recent sales to the market of 1.5m Malaysian

Credit shares announced on February 1, the total profit accruing to the group was about S\$8.57m, or 22 cents per JC-MPH share.

A JC-MPH associate, Jack Chia Enterprises (Singapore), which is a subsidiary of Jack Chia International of Hong Kong, has also given an option to See Hoy Chan (Singapore) to purchase its 5.13 per cent stake in Malaysian Credit, amounting to 3.25m shares, at a price of

S\$2.60 per share. The option is exercisable from April 1 to April 10.

In its announcement, JC-MPH, which acquired the Malaysian Credit shares only last year, said that the shares were originally purchased as an investment, but in view of the attractive price offered, the directors had deemed it prudent to liquidate the investment, so realising a substantial profit for re-investment.

Scrip and rights issues from DBS

By Our Singapore Correspondent
THE DEVELOPMENT BANK of Singapore (DBS)—one of the big four Singapore banks—has announced a one-for-five scrip issue and a one-for-four rights issue at a price of S\$4 to raise S\$125.6m.

The bonus and rights issue announcement was made in the wake of the bank's disclosure of a 31 per cent rise in group post-tax profit to S\$48.46m (U.S.\$52.3m) for the year ended December.

The 31 per cent growth, although a far cry from the 81 per cent chalked up in 1978, came as a surprise to observers as DBS registered a growth rate of only 5.7 per cent at the interim stage.

The group suffered a sharp increase in the tax charge, which rose by 58 per cent, to S\$33.46m. Group pre-tax profit was 49 per cent higher, at S\$81.9m.

At the parent bank, post-tax profit rose at a slower pace, of 21.1 per cent, to S\$39.6m.

DBS has declared an unchanged first and final gross dividend of 12.5 per cent. The bonus-cum-rights issue will bring DBS's present issued capital of S\$125.6m to S\$182.1m.

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CURRENCIES, MONEY AND GOLD

\$ stays strong

THE DOLLAR remained firm in the foreign exchange market yesterday, and was prevented from further appreciation by intervention by the major central banks. The U.S. currency rose to DM 1.7900 from DM 1.7830 against the D-mark, the highest level since late November. In terms of the Swiss franc the dollar was at its best level since late June, rising to SwFr 1.7180 from SwFr 1.7140. Most currencies continued to decline against the dollar, influenced by the further rise in U.S. interest rates, as bank prime rates touched a record 17 1/2 per cent. On the other hand the Japanese yen improved again following more heavy support by the Bank of Japan in Tokyo. The dollar fell to ¥246.30 from ¥247.80 in London.

On Bank of England figures, the dollar's trade-weighted index was unchanged at 86.6. Sterling's index, as calculated by the Bank of England, fell to 71.7 from 72.6, after standing at 72.2 at noon and 72.1 in the morning. The pound fell in late trading, to a low of \$2.215-2.225, where the authorities gave some support to sterling. Trading was thin as the market neared the end of trading in London, and the scale of intervention was not heavy. By the close the pound had recovered some of the loss ground and closed at \$2.230-2.235, a fall of 50 points on the index.

D-MARK—Steady within European Monetary System, but weaker against dollar following sharp upward movement in U.S. interest rates. The D-mark showed mixed changes against its EMS partners, while gaining ground in terms of sterling at the Frankfurt fixing. The Japanese yen improved against the German currency, and the dollar was also strong despite further intervention by the Bundesbank. The central bank sold \$50.15m at the fixing as the dollar rose to DM 1.7934 from DM 1.7799, and it was believed that the Bundesbank continued to give heavy support to the D-mark in open trading. Estimates of Monday's open market intervention ranged from \$250m to \$500m.

Other major currencies the French franc and Italian lira declined against the D-mark, but other members were firmer. The Swiss franc rose to DM 1.0420.

ITALIAN LIRA—Remaining firm, and returning to the top of the EMS. The lira lost ground against most other EMS currencies, and other major units, with the notable exception of sterling which fell to L1,855.20 from L1,870.80 at the Milan fixing. The Bank of Italy sold \$13m of the \$18m officially traded when the dollar rose to L1,870.80 at the Milan fixing. The Swiss franc rose to L483.08 from L481.17, and the yen to L3,357 from L3,321.

BELGIAN FRANC—Generally weaker member of EMS, but needs devaluation. The Belgian franc improved against the French franc and lira at the Brussels fixing, but declined against other EMS members. The dollar rose to BFr 28.965 from BFr 29.92, but sterling fell to BFr 64.985 from BFr 65.57.

JAPANESE YEN—Energy problems reflected in a sharp decline last year, which after a slight pause has recently been renewed, resulting in a package and a central bank intervention. The Bank of Japan sold about \$800m to help the yen. The dollar rose to ¥246.30 at the Tokyo fixing, but sterling fell to ¥247.80. The strong dollar broke through ¥248 several times, touching a peak of ¥248.10, and was only kept from a further appreciation by the Japanese central bank.

THE DOLLAR SPOT AND FORWARD

March 4	Day's spread	Close	One month	% Three months	% p.a.
UK	2.2215-2.2465	2.2380-2.2380	0.52-0.42c pm	2.52	0.52-0.42c pm
Ireland	2.0885-2.0720	2.0885-2.0720	0.52-0.42c pm	2.73	1.00-0.30 pm
Canada	1.1428-1.1551	1.1504-1.1507	0.35-0.31c pm	3.45	1.02-0.37 pm
Netherlands	1.6260-1.6353	1.6305-1.6305	0.32-0.35c pm	5.37	2.53-0.41 pm
Belgium	28.94-29.05	29.03-29.05	54-4c pm	1.96	18-16 pm
Denmark	5.5915-5.5700	5.5905-5.5820	1.20-2.30c dis	-4.42	4.40-4.40c dis
W. Ger.	1.7795-1.7910	1.7895-1.7905	1.45-1.50c pm	9.26	3.92-3.82 pm
Portugal	48.27-48.35	48.34-48.35	7-7c dis	-2.96	20-45 dis
Spain	167.27-167.57	167.52-167.57	20-3c dis	-4.44	45-50 dis
Italy	828.50-828.20	827.50-827.57	0.81-1.0c dis	-1.52	45-50 dis
Norway	4.9380-4.9580	4.9500-4.9515	1.30-1.35c pm	3.72	4.55-4.15 pm
France	1.8200-1.8250	1.8204-1.8250	1.47-1.57c pm	4.97	3.90-3.75 pm
Sweden	4.2390-4.2530	4.2470-4.2480	0.80-0.80c pm	1.08	2.75-2.50 pm
Japan	246.30-247.20	246.30-246.30	1.40-1.20c pm	9.45	3.75-3.50 pm
Austria	12.75-12.77	12.75-12.77	9.20-9.30c pm	9.26	3.92-3.82 pm
Switzerland	1.7080-1.7110	1.7175-1.7185	1.96-1.85c pm	13.21	5.05-4.95 pm

THE POUND SPOT AND FORWARD

March 4	Day's spread	Close	One month	% Three months	% p.a.
U.S.	2.2215-2.2465	2.2380-2.2380	0.52-0.42c pm	2.52	0.52-0.42c pm
Canada	2.0885-2.0720	2.0885-2.0720	0.52-0.42c pm	2.73	1.00-0.30 pm
Netherlands	1.1428-1.1551	1.1504-1.1507	0.35-0.31c pm	3.45	1.02-0.37 pm
Belgium	1.6260-1.6353	1.6305-1.6305	0.32-0.35c pm	5.37	2.53-0.41 pm
Denmark	28.94-29.05	29.03-29.05	54-4c pm	1.96	18-16 pm
W. Ger.	5.5915-5.5700	5.5905-5.5820	1.20-2.30c dis	-4.42	4.40-4.40c dis
Portugal	1.7795-1.7910	1.7895-1.7905	1.45-1.50c pm	9.26	3.92-3.82 pm
Spain	48.27-48.35	48.34-48.35	7-7c dis	-2.96	20-45 dis
Italy	167.27-167.57	167.52-167.57	20-3c dis	-4.44	45-50 dis
Norway	828.50-828.20	827.50-827.57	0.81-1.0c dis	-1.52	45-50 dis
France	4.9380-4.9580	4.9500-4.9515	1.30-1.35c pm	3.72	4.55-4.15 pm
Sweden	1.8200-1.8250	1.8204-1.8250	1.47-1.57c pm	4.97	3.90-3.75 pm
Japan	4.2390-4.2530	4.2470-4.2480	0.80-0.80c pm	1.08	2.75-2.50 pm
Austria	246.30-247.20	246.30-246.30	1.40-1.20c pm	9.45	3.75-3.50 pm
Switzerland	12.75-12.77	12.75-12.77	9.20-9.30c pm	9.26	3.92-3.82 pm
Switzerland	1.7080-1.7110	1.7175-1.7185	1.96-1.85c pm	13.21	5.05-4.95 pm

CURRENCY RATES

sharp.	U.S.	17	0.573851	0.620687	Starling	17	0.573851	0.620687
after a	U.S.	13	1.30099	1.30099	Canadian dollar	14	85.0	85.0
they been	Canada	14	1.240982	1.240982	U.S. dollar	14	85.0	85.0
to the	Austria	13	15.72785	17.9144	Belgian franc	14	11.4	11.4
the	Netherlands	14	35.92	36.05	French franc	13	11.4	11.4
all bank	Denmark	13	12.37285	17.90865	Danish kroner	13	11.4	11.4
of Japan	W. Ger.	13	2.01561	2.0113	German mark	13	11.4	11.4
the yen	Portugal	13	3.97	4.01	Portuguese escudo	13	11.4	11.4
the yen	Spain	13	167.20	168.20	Spanish peso	13	11.4	11.4
the yen	France	13	11.00	11.08	French franc	13	101.9	101.9
the yen	Sweden	13	4.23	4.23	Swedish krona	13	115.7	115.7
the yen	Italy	13	150.05	151.10	Italian lire	13	115.7	115.7
the yen	Norway	13	1.838	1.854	Norwegian kroner	13	115.7	115.7
the yen	Denmark	13	12.37	12.42	Danish kroner	13	115.7	115.7
the yen	W. Ger.	13	2.01561	2.0113	German mark	13	115.7	115.7
the yen	Portugal	13	3.97	4.01	Portuguese escudo	13	115.7	115.7
the yen	Spain	13	167.20	168.20	Spanish peso	13	115.7	115.7
the yen	France	13	11.00	11.08	French franc	13	115.7	115.7
the yen	Sweden	13	4.23	4.23	Swedish krona	13	115.7	115.7
the yen	Italy	13	150.05	151.10	Italian lire	13	115.7	115.7
the yen	Norway	13	1.838	1.854	Norwegian kroner	13	115.7	115.7
the yen	Denmark	13	12.37	12.42	Danish kroner	13	115.7	115.7
the yen	W. Ger.	13	2.01561	2.0113	German mark	13	115.7	115.7
the yen	Portugal	13	3.97	4.01	Portuguese escudo	13	115.7	115.7
the yen	Spain	13	167.20	168.20	Spanish peso	13	115.7	115.7
the yen	France	13	11.00	11.08	French franc	13	115.7	115.7
the yen	Sweden	13	4.23	4.23	Swedish krona	13	115.7	115.7
the yen	Italy	13	150.05	151.10	Italian lire	13	115.7	115.7
the yen	Norway	13	1.838	1.854	Norwegian kroner	13	115.7	115.7
the yen	Denmark	13	12.37	12.42	Danish kroner	13	115.7	115.7
the yen	W. Ger.	13	2.01561	2.0113	German mark	13	115.7	115.7
the yen	Portugal	13	3.97	4.01	Portuguese escudo	13	115.7	115.7
the yen	Spain	13	167.20	168.20	Spanish peso	13	115.7	115.7
the yen	France	13	11.00	11.08	French franc	13	115.7	115.7
the yen	Sweden	13	4.23	4.23	Swedish krona	13	115.7	115.7
the yen	Italy	13	150.05	151.10	Italian lire	13	115.7	115.7
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CURRENCY MOVEMENTS

TES		NOTES	
Argentina Peso		3,805-3823	47.00-48.25
Austrian Dollar		9,032.00-2,050.00	61.00-62.70
Brazil Cruzeiro		100.45-101.43	13.14-13.41
Finland Markka		9.91-10.05	13.14-13.41
French Deutsmark		9.725-9.39.50	13.14-13.41
Hong Kong Dollar		1.00-1.11-03.4	3.90-4.01
I.R.E. Punt		0.9500-3.950	1.99-2.01
Kuwait DineerQ		0.819-0.826	4.39-4.41
Luxembourg Fro.		0.8095-0.8095	1.85-1.85
Netherlands Guilder		2.1870-1.29.05	106-118
New Zealand Dlr.		8.3045-8.2729	147-165
Norway Kroner		1.838-1.854	9.38-9.37
Portugal Escudo		4.8310-4.8015	5.28-5.84
Singapore Dollar		1.00-1.00	9.38-9.37
S. African Rand		1.8040-1.8045	2.92-2.94
T.A.E. Diritum		8.94-9.4	50-53 1/2
U.S.		1.30099	
Canada		1.240982	
Netherlands		4.36-4.41	
Belgium		35.92-36.05	
Denmark		12.37-12.42	
W. Ger.		1.0720-1.0845	
Portugal		3.97-4.01	
Spain		167.20-168.10	
Italy		150.05-151.10	
Norway		1.838-1.854	
France		11.00-11.08	
Sweden		4.23-4.23	
Japan		246.30-247.20	
Austria		28.92-28.95	
Switzerland		3.81-3.85	

Rate given for Argentina is free rate.

OTHER CURRENCIES

61.0	9.373	3.948	4.398	1852.	1.577	64.05
46.3	4.190	1.719	1.966	327.7	0.932	29.25
	2.340	0.960	1.098	462.3	0.643	15.28
77.5	3.71	2.978	7.231	536.0	4.677	17.59
77.2		4.108	4.488	481.5	8.750	38.30
25.5	8.438	1	1.594	282.5	0.670	10.89
		0.102	1	481.0		66.70
3.3	3.133	0.77	1	1000.	0.586	34.30
7.8	0.062	9.077	2.375		1.332	35.08
	3.637	1.492	1.706	712.5		96.20
4.3	14.43	5.920	0.771	2851.	2.968	100.

EMS EUROPEAN CURRENCY UNIT RATES

ECU	Central Rates	% change	% change	% change	% change	% change	% change	% change	% change
Belgium	35.92	20.518	+1.59	+1.61	+1.62	+1.63	+1.64	+1.65	+1.66
Denmark	12.37	7.2224	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03
France	11.00	2.49781	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03
Germany	1.0720	5.85951	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03
Italy	150.05	2.74368	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03
Netherlands	4.36	0.69201	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03
Portugal	3.97	1.15779	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03
Spain	167.20	1.15779	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03
Sweden	4.23	1.15779	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03
Switzerland	3.81	1.15779	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03
U.S.	1.30	1.15779	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03	+0.03

EXCHANGE CROSS RATES

Pound Sterling		2.237	4.005							
U.S. Dollar	0.447	1	1.790							
Deutschmark	0.250	0.559								
Japanese Yen 1,000	1.815	0.406	7.209							
French Franc 10	1.087	2.387	4.473							
Swiss Franc	0.960	0.582	1.042							
Dutch Guilder	0.827	0.609	0.911							
Italian Lira, 1,000	0.640	1.908	2.165							
Canadian Dollar	0.398	0.868	1.554							
Belgian Franc 100	1.540	5.444	6.166							

Further early Wall St. slide

mark

LBS to L2,065
L682.

remained strong and active interest in gold and oils mixed showing commodities index up 2.25 and the metals index

falls on Friday on the fell 66 cents, in the Oils rose 35 cents monizes of a major company stocks off share n. Petroleum \$2.431.95

Mining
The RM 20 cents, tend -50 cents Western Mining

ly further active trading active closing 1.97 following Monday.
was an advance recorded in the index was a major market buying because union was over-
ousness con- investors, who higher loss they are also out the point sent - Caracas nic announce- destructive UR

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losed mainly ve the day fairly active f Mr. Robert victory in

(closed)	
Dice	+ or -
Yan	
1,090	+3
434	+6
520	-1
869	A
893	+2
460	-1
416	-
744	+7
513	-1
400	-3
187	-10
520	-1
622	+7
406	-5
582	-1
1,180	+10
622	-2
513	-1
2,040	+20
582	-1
129	-3
218	-2
2,021	-20
690	-15
345	-
166	-
520	-1
118	+1
324	-
704	+4
901	-
1,280	-
582	-
276	+20
400	-
540	-
671	-14
585	-
850	-
1,630	-10
415	-1
520	-
700	+26
217	-
460	-
491	-1
1,840	+12
520	-
1,040	+40
510	-
800	-17
1,090	-
119	-1
669	-
190	-
225	-20
495	+20
410	-3
877	+8
1,090	-
760	-
870	+10
670	-10
390	-3
622	A

Pries	+ or -
4.50	-CM

NEW YORK—EDW JONES

Price	+ or -
3.10	-0.1
7.00	-0.1
14.25	-0.5
9.75	-0.5
37.25	-0.5
4.30	-0.5
1.67	+0.1
8.00	-0.1
85.75	-0.2
60.50	-0.2
83.00	-0.1
4.15	-0.5
7.00	-0.1
33.50	+0.5
0.00	-0.5
3.00	-0.1
0.05	-0.5
6.20	-0.1
2.65	+0.5
3.00	-0.1
6.15	-0.5
1.00	-0.5
1.70	-0.1
14.60	+0.5
2.35	+0.1

US\$100 (17%)

Price	+ or -
1.24	-0.1
7.75	-0.1
1.53	-0.1
2.44	-0.1
2.57	+0.1
1.98	-0.1
3.50	-0.1
6.50	-0.1

...recorded in
...and a lack
...buying interest.

rial and Oil
 dined showing
 dinar index
 2.25 and the
 nerals index
 late on in
 d. on the
 fell 60 cents
 er, in the Oil
 rose 35 cents
 mmons of an
 major company

Alpha oil shale
Petroleum
to ASLGS
Mining
RA falling

By further
active trading
index closing
197 followed

Monday.
was an after-
noon recorded
the index was
major market
buying because
don was over-
easiness con-
investors, who
billion, less

higher. They are about the position. Certain economic announcements restrictive U.S. g. posed mainly have the

...fairly active
...Mr. Robert
...victory in

1 pdes 1 + or

[illegible]

NEW YORK—EDW JONES

Price	+ or -
3.10	-0.1
7.00	-0.1
14.25	-0.5
9.75	-0.5
37.25	-0.5
4.30	-0.5
1.67	+0.1
8.00	-0.1
85.75	-0.25
60.50	-0.25
33.00	-0.1
4.15	-0.5
7.00	-0.1
33.50	+0.5
0.10	-0.5
3.00	-0.1
0.05	-0.5
3.00	-0.5
6.20	+0.5
2.65	-0.5
3.00	-0.1
6.15	-0.5
1.00	-0.5
1.70	-0.5
14.60	+0.5
2.35	+0.5

US\$100
171%)

Price	+ or -
1.24	-0.1
7.75	-0.5
1.53	-0.5
2.44	-0.5
2.57	+0.5
1.98	-0.5
3.50	-0.5
6.50	-0.5

...trobal...	1,950	-80	Wheat West	570		Pirani	570	+3	Koshiroku	434	-1
...Inno...	5,560	+10	Wheat Elec	570		Pradex	570		Kubota	880	-1
...Cacao Nat...	2,300	-60	Rhein West	178	-1.5	Sandor (PI. Cst)	200		Feve Rio	550.00	5.50
...Inno...	3,950	-20	Rosenthal	201		Schindler (PI. Cst)	225		Valer Cr. Doco. Br.	Vol. 120.00	
...Cacao (Grus L)	1,950	-20	Gcharing	194.1	-2.7	Swissair	373		Source: Rio de Janeiro St.		
...Cacao	950		Siemens	267.7	-1	Swissair	373				
...Cacao	3,085	-15	Varza	158	-1.7	Swiss Bank	339	-5			
...Cacao	1,520	-30	Yats	250		Swiss Bank	5,750	-10			
...Cacao	5,520	-50	Yats	158.5	-1.5	Swiss Bank	1,680	-10			
...Cacao			Verein-West	275		Winterbank	5,605				
						Winterthur	9,210				

Spanish prices, Page 5

NOTES.—Prices on this page are as quoted on the individual exchanges and are not for script issues. ar ex dividend.

STOCK EXCHANGE TURNOVER

Gilts turnover down nearly 50% in February

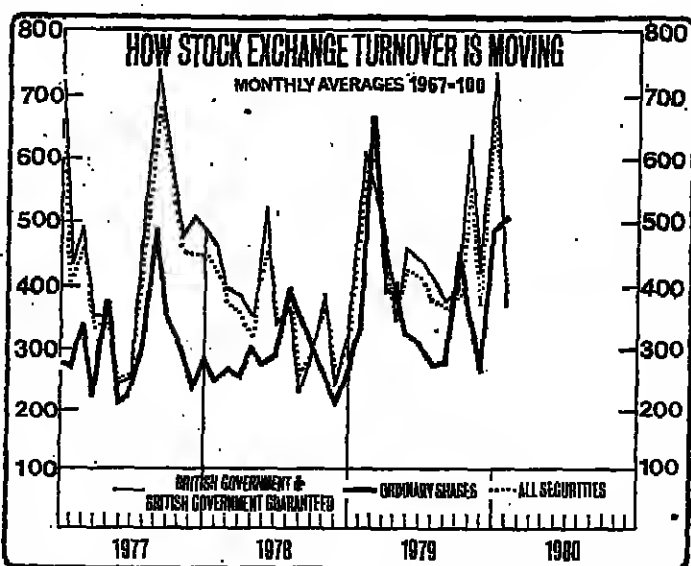
BY GEOFFREY FOSTER

A SHARP drop in demand for gilt-edged securities last month led to an overall fall in Stock Exchange turnover compared with January when total business came close to the record achieved in September, 1977.

From January's £21.6bn, overall turnover dropped 41 per cent to £12.7bn, the fall partly reflecting the fact that there was one less trading day in February. The number of bargains decreased by 41,523 to 302,535, and the average value per bargain fell by £14,431 to £25,208. The FT Stock Exchange Turnover Index for All Securities reacted from 660.8 in January to 388.2 as against last year's monthly average of 481.5.

Trade in gilt-edged fell £8.6bn, or 49.3 per cent, on the month to £8.8bn—its lowest since last May (£8.6bn). Business in short-dated stocks fell by £4.3bn to £4.58bn, while that in other fixed-interest securities was halved to £2.27bn.

The number of bargains done in the Funds fell by 25,895 to 80,877, with deals in the long and irredeemable 16,722 fewer, at 50,975 and those in the shorts 9,737 lower at 30,002. The FT Turnover Index for Government Securities mirrored the decreased business by falling to 374.7 compared with January's 799.5 and the 1979 monthly average of 434.8. The FT Govern-



ment Securities index closed 2.32 points lower at 64.95.

Business in equities, however, continued to thrive with increased activity on the bids and deals front, providing considerable interest. Activity was also fairly hectic in oil and mineral exploration stocks.

Equity turnover last month edged forward £1m to £2.84bn. This is the second highest level on record and compares with the peak of £3.7bn in March, 1979. The number of bargains fell by 11,124 to 382,494, but the average value per bargain increased by £471 to £27,429.

The FT turnover index for Ordinary shares rose from January's 487 to 507.0, which compares with the 1979 monthly average of 358.5.

Prices of the miscellaneous industrial leaders showed further resilience throughout the month despite the continuing steel strike and other labour troubles. There was no let up either on the international political scene, but, from an end-January level of 453.3, the FT 30-share index touched 478.8 on February 13, before closing the month a net 13.8 points up at 467.1.

Category	Value of all purchases & sales £m	Total %	Number of bargains	Total %	Average value per day £m	Average value per bargain £	Average number of bargains per day
British Govt. and British Govt. Guaranteed:							
Short dated (having five years or less to run)	4,580.4	36.2	30,002	6.0	218.1	152,669	1,429
Others	4,273.8	33.7	50,975	10.1	203.5	83,842	2,427
Irish Governments:							
Short dated (having five years or less to run)	251.5	2.0	1,461	0.3	12.0	172,146	70
Others	295.4	2.3	2,488	0.5	14.1	118,735	118
UK Local Authority	301.0	2.4	5,383	1.1	14.3	55,918	254
Overseas Governments:							
Provincial and Municipal	9.8	0.1	1,698	0.3	0.5	5,780	81
Fixed interest stock, pref. and pref'd, ordinary shares	115.1	0.9	28,034	5.6	5.5	4,106	1,335
Ordinary shares	2,841.4	22.4	382,494	76.1	135.3	7,429	10,214
Total	12,668.5	100.0	502,535	100.0	268.3	25,209	23,930

* Average on all securities

CONTRACTS

£15m for opencast coalmining

Worth over £15m, a contract to operate a new opencast coal mining project in Scotland for the National Coal Board's opencast executive has been won by DEXTER CROUCH (CONTRACTORS). The contract calls for the production of 1.5m tonnes of bituminous coal over the next five years. Work is due to start on the site—Cadderball opencast coal site, south west of Kirkcaldy, in Nithsdale, Dumfries and Galloway—in April this year, and it is anticipated that it will provide 80 jobs for local men.

With three seams of coal at fairly flat gradients, a 12 cu yd dragline will be used to remove 15m cu metres of overburden and reach the lowest seam at a depth of 50 metres. Restoration

of the 165 hectare site will take about one and a half years after coal production ends, and is due to be completed late in 1987.

CLEARWATER SYSTEMS, Guildford, has received three contracts worth around £100,000 for package sewage treatment plants. The plants will serve populations varying from 150 to 700 persons, and all have to meet a deadline less than the standard 12 week delivery period. The orders are for the Amir's Palace, Bahrain, a Sheikh's palace in Jeddah, Saudi Arabia and a remote base camp for an oil company in the Sudan.

BP Refineries (Llandarcy) has awarded a contract worth over

£150,000 to treat 40 cu metres/hr of Desalter effluent to AWS DELTA. The plant comprises two pressure, tilted plate, oil water separators of the Skimovex DV design, followed by a dissolved air flotation unit and is to be installed at Llandarcy, South Wales.

PLESSEY COMMUNICATIONS AND DATA SYSTEMS, Beeston, Nottingham, has won an order worth £300,000 from the Ministry of Defence for supplying communication systems for three nuclear submarines. The three systems, called VICES (Voice Internal Communications Equipment for Submarines) will be supplied between September this year and summer 1981.

APPOINTMENTS

T. J. Tice joins British-American Tobacco Board

Mr. T. J. Tice has been appointed director of BRITISH-AMERICAN TOBACCO COMPANY. He was formerly a coordinator in territorial department.

Mr. Barrie Birch and Mr. Brian Sumner have been appointed to the Board of ALEX. LAWRIE FACTORS.

Mr. Frank Hutton has joined the Board of the SANGERS GROUP. He has been with the company for over 30 years and is the managing director of the Photographic Division (Southall Photographics).

Mr. Bernard Crowley has been appointed president of MERCK SHARP & DOHME (EUROPE) INC., a subsidiary of Merck & Co. Inc. Mr. Crowley also becomes a senior vice president of Merck Sharp & Dohme International, and will be responsible for MSDI operations in Europe and Africa. He was previously chairman of Merck Sharp & Dohme in the UK and vice president, Northern Europe of MSDI.

Dr. Colin Fothergill has been appointed director of exploration of CAFFEY CLINE AND ASSOCIATES, petroleum and natural gas advisers. Dr. Fothergill was formerly a lecturer at the Royal School of Mines and was also a director of Tricentral. He will be based in the UK.

Mr. R. D. Payne has been appointed assistant general manager of CREDIT LYONNAIS UK.

Mr. A. W. Baldwin has joined the ANDREW WEIR AND CO. group as finance director and secretary of Spink and So, director of Andrew Weir Insurance and director of Andrew

Weir London. Mr. Baldwin was previously a partner in Hays Allan.

Wigham Poland, London, and Schiff Terhune, New York, have formed EAGLE INTERMEDIAL, a reinsurance broking company based in New York. Mr. Keith N. Smalson is the president and chief executive officer of Eagle. Other officers of the company are—London: Mr. D. R. Collins, Mr. C. D. Archibald and Mr. K. R. Stetzel. In New York: Mr. H. Feldman, Mr. R. Linder and Mr. A. H. Marks.

Mr. John Dean, Mr. Anthony Marks and Mr. Christian Mahé de Berdouart have joined DREXEL BURNHAM LAMBERT and will be based in the London commodity office.

Mr. John A. R. French has been appointed senior representative in the UK for HUTCHISON WHAMPOA and continues as managing director of Hutchison Whampoa (UK). Mr. Stuart F. T. B. Lever, who has been associated with HWL for many years, will continue as a consultant to the company based in the London office.

Mr. E. H. Dunkley has joined the Board of DELIGHT INDUSTRIES as group commercial director.

Mr. V. G. Gnest has joined AMERADA PETROLEUM CORPORATION OF THE UNITED KINGDOM, in London, as manager of planning and administration. He was previously with British Gas Corporation and replaces Mr. R. J. L. Stephens, who has been transferred to Amerada Hess Corporation of Abu Dhabi.

Mr. D. H. R. Nees and Mr. I. C. McLeish have been appointed

joint assistant managers of the SCOTTISH INVESTMENT TRUST COMPANY.

Mr. Sydney B. Chapman, Conservative MP for Chipping Barnet, has been appointed a non-executive director of CAPITAL AND COUNTIES PROPERTY COMPANY. Mr. Chapman is a chartered architect and town planning consultant.

Dr. D. R. Stewart has been appointed to the Board of BICC as an executive director. He is

to fill vacancies following the resignations of Mr. F. J. L. Wells and Mr. D. T. Westlake. Dr. Spinks was a director of ICI from 1970 until he retired in March 1979. He was later appointed a non-executive director of Charter Consolidated. Mr. Owston is also a director of Charter Consolidated and has been primarily concerned with the company's mining interests, latterly in Malaysia.

Mr. E. R. Nixon, chairman and chief executive of IBM United Kingdom, has been appointed a director of ROYAL INSURANCE COMPANY.

Mr. Peter H. Grunwell has been appointed group chief accountant for PILKINGTON BROTHERS and will take up the post in July. He succeeds Mr. M. L. D. Windsor, who recently joined the main Board as a director and group treasurer.

Mr. J. R. Ellis has been appointed chief freight manager, BRITISH RAIL, Eastern Region, in succession to Mr. Stanley E. Hobbs who has retired.

Lord Winstanley, Professor Elizabeth Brunner, Mr. M. Andrew, Mr. E. C. J. Whittingham have been appointed members of the WATER SPACE AMENITY COMMISSION.

Mr. Peter Bowers, field sales director of LUIS GORDON AND SONS, has been appointed to the executive Board of that company.

Mr. Peter Allan has been appointed related banking services manager of the CO-OPERATIVE BANK responsible for Hoodyard (the Bank's retail credit card for Coop shoppers), in-store banking

operations and national sales. He is also a director of Holyoake Insurance Brokers, an associated company. Miss Susan Latham has become marketing services manager at the Bank.

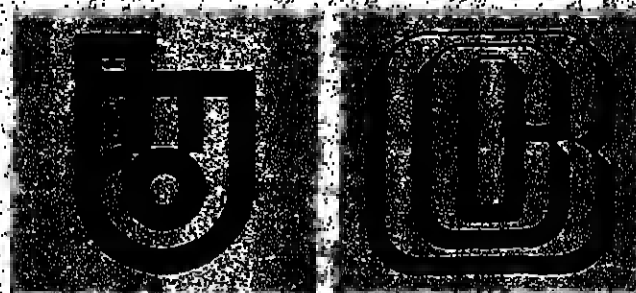
Following the formation of ALIREZA INTERNATIONAL EXPRESS by Haji Abdullah Alireza and Co. of Saudi Arabia and International Express Company in the UK to provide a comprehensive worldwide door-to-door transport and freight forwarding operation in Saudi Arabia, Mr. Jean P. Bailly has been appointed general manager of the Alireza International Express head office in Jeddah, and Mr. Herman Ebner as Jeddah office manager. Mr. Bailly was general manager of the Middle East department of International Express at Brentwood, Essex, for five years, and Mr. Ebner was the company's sales co-ordinator at Birmingham.

Mr. Richard Morse has been appointed sales director of BRAND PACKAGING, a member of the Jefferson Smurfit Group of companies.

Mr. Hamish MacGregor has been appointed deputy director of the CONFEDERATION OF BRITISH INDUSTRY in Scotland, succeeding Mr. John Beattie, now industrial relations executive with the Scottish Development Agency.

Mr. Trevor Holdsworth, chairman of Guest Keen and Nettlefolds, is the new chairman designate of the BRITISH INSTITUTE OF MANAGEMENT. He will succeed Mr. Leslie Tolley as BIM chairman following the annual meeting on October 7.

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January 24, 1980

The Peugeot 505



"What the Experts Say"

"Comfort in the 505 starts with the seats... and continues with the ride, which is simply, up to the very high Peugeot standard."

Observer, November 1979



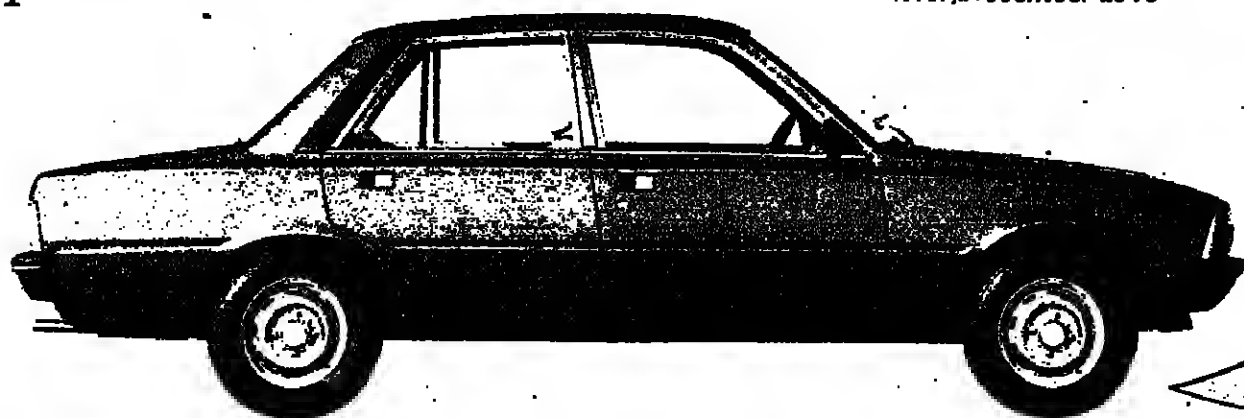
505 STI Interior

"With the 505, Peugeot have achieved their aim to produce a car that has the excellent ride, good noise suppression and comfort of a limousine, but that has the sporty appeal of cars from a marque such as BMW."

What Car?, November 1979

"Quite simply, the 505 is an excellent motorcar... good at most things, excellent at some, and poor at none."

Motor, November 1979



505 GR

The newly introduced 505 range includes six luxury saloons. You have the choice of 2 litre carburettor, fuel injection or 2.3 litre diesel power, all available with luxury "S" trim.

"The 505's main appeal is that it is a particularly well balanced all-rounder, notable for its quietness and comfort."

Daily Telegraph, November 1979

"As always in a Peugeot, the ride quality is superb."

Financial Times, December 1979

"It is, above all, a well-balanced car: quiet, well-sprung and pleasant to handle."

Sunday Telegraph, December 1979

"Ride and handling of the 505 was impressive. Towcar of the Year 1980, the Peugeot 505 SR."

Caravan, December 1979

"TI/STI with new Douvrin engine is the definitive 2.0 litre four-door saloon."

Car Magazine, December 1979



505 GR Dashboard

Peugeot 505 TI wins German Golden Steering Wheel Award. This is the first time a non-German car has won this accolade, sponsored by the Springer Group, publisher of Europe's largest Sunday newspaper



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